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DEPARTMENT OF INTERIOR

In the Matter of:

MEETING OF**THE NATIONAL PETROLEUM COUNCIL**Place: **Washington, D.C.**Pages **1 thru 121**Date: **January 21, 1970**Volume **1****HOOVER REPORTING COMPANY, INC.***Official Reporters***Washington, D. C.****546-6666**

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DEPARTMENT OF THE INTERIOR

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NATIONAL PETROLEUM COUNCIL

Conference Rooms A and B
Departmental Auditorium
Washington, D.C.

Wednesday, January 21, 1970

The meeting of the National Petroleum Council was convened at 9:00 o'clock a.m., Mr. Jack H. Abernathy, Chairman presiding.

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P R O C E E D I N G S

THE CHAIRMAN: Mr. Secretary, Governor Bartlett, Secretary Train, Commissioner Nassikas, all of our good friends, and you Government personnel who honor us with your presence and your attendance on such a brisk morning, members of the National Petroleum Council. Mr. Secretary, this six months since our last meeting has been a busy period indeed. The chairman of our four active committees will report to the Council later and you Council members will be able to judge from our reports how busy they have been.

I know the Nixon Administration, which I understand celebrated its first birthday last night, Mr. Secretary, at Blair House, looking at it from a civilian point of view, or a lay point of view, it seems to us has settled into its job situation I think rather rapidly, and insofar as the administrative people with whom we have been working I know have adjusted to their enormous responsibilities very well indeed.

Now, in the National Petroleum Council, speaking as its chairman in its role as your secretary, and through you to the Government, I know that we have enjoyed working with these people. We have done everything we knew how to be of service to the Nation and unbiased and accurately as we possibly could.

I want to take this opportunity to tell you personally

and here publicly, how constructive and productive and useful your active working staff, Secretary Gold, Gene Morrell, Dr. Laird, John Ricca, just to name a few -- really, I think you should know how intelligent and loyal and hard-working they have been. When they have found advisable, they haven't hesitated to take us to task or suggest to us certain things.

It has been a happy and productive relationship and one in which we have produced. The criticism has been constructive and it has been a real pleasure to work with them.

Now, Mr. Secretary, with that brief introduction, would you care to kick-off our meeting

SECRETARY HICKEL: Thank you, Mr. Chairman.

The Honorable Governor, distinguished guests, members of industry, you said it has been a short while since we have had our last meeting, six months. It seems like sort of a quiet six months, hasn't it?

I haven't had the pleasure of having too many visits in my office because I think everything is running smooth and there aren't any problems. So, everybody is happy.

(Laughter.)

SECRETARY HICKEL: As we saw the new year, and it has only been a few weeks ago, and did like everybody else, you had a grand and glorious time and a lot of fun, but President Nixon on his first official act of this decade chose

to be sort of serious. He said, and I quote:

"In signing the National Environmental Quality Control Act, the 1970's absolutely must be the years when America pays its debt to the past by reclaiming the purity of air, its waters and our living environment. It is now or never."

Well, gentlemen, I think it is now or never. We have had some problems in the past years, and I think there has been a lot of progress. We are now threatened in many ways by an enemy that is more terrible, more fearful, more noisily, than any that has been confronted by the United States in the past 200 years, and as the comic Pogo said, "We have met the enemy and he is us."

Historians have long said that crises have made men great, and that real life heroes come out of the most troubled times. Well, I am telling you today that we all have the opportunity to be heroes, to rise up as the people of our Nation and literally the whole world needs heroes, but it is more than an opportunity. It is a necessity, a necessity felt by all Americans in all walks of life.

People do care and they care deeply about the quality of life and how they live it. They care about what kind of environment not only they are going to have but their children are going to have, and they know that the processes that produce our material wealth are also the same processes that

foul our air, poison our lakes and streams, destroy our land and kill our wildlife.

They know that businesses, private enterprise, really hold the key to pollution clean up, and many times they see private enterprise is just more and more of a money mad monster that is sort of fouling up their Nation and admittedly they see Government as doing far too little to control this desecration, and in many times and in many places actually contributing to it.

So to be heroes, and not the enemies, to make the future bright and clean, so to speak, we must accept the ecological trend of the 1960's as the ecological challenges of the 1970's; a challenge, gentlemen, that you in this industry have met many times before, the challenge that began with the discovery of oil, the technology of refining and the marketing of oil and its by-products, only now we must face this challenge as the one that goes far beyond economic gain. It is one that goes to our very lives.

Let's take a look at some of these challenges for the oil industry. The decline of on-shore producing land is forcing us to look more and more to the continental shelves of both States and the Federal Government for more oil reserves.

While less than 2 percent of potential continental shelf acreage has ever been leased, 10 percent of our domestic

oil and gas came from the shelf. We think that by 1980 that this share may even double. New discoveries may open up off-shore lands that have never seen a drilling rig before, and you know that might involve a lot of people who don't especially care to see any in the future.

The challenge that we face to make these drilling operations not merely economically profitable but to fit these profitable operations into the needs and protection of the environment, and until we achieve perfection, we have techniques for predicting and tracking the movement of oil on water surfaces; we need systems to detect these spills earlier so that action can be started to contain them. We need to develop equipment for improved shore production and clean up and for the disposal of the materials collected.

I think in our experience at Santa Barbara, I think Union Oil Company did an excellent job in cleaning up, but with all the technology at our disposal going to the moon and other things, there really must be something better than straw to soaking up these oil spills. We in Government are going to try to face this challenge. We are going to try to do it by continuing to develop technology that make the Continental Shelf and that operation foolproof, and we are going to face that challenge if it is by the enforcement of regulation or by a new regulation when technology makes it available.

I think it is imperative that we face this challenge and I think collectively we can.

Now, my home State, Alaska, on that North Slope, has presented another great challenge. The billions of barrels of oil from the Alaskan Arctic will come to market probably in some combination of pipeline and tanker, but that combination in itself presents a threat and a challenge. It goes without saying that some of the men I see right in front of me, Mike Wright, we have been studying these problems for many, many months. Yes, they are difficult but step by step we are solving those problems and we are coming up with solutions, and I am perfectly confident that government and industry, working together, will succeed in this endeavor.

But the point is that because Prudhoe Bay is located in Alaska rather than the Midwest, we have new environmental challenges and opportunities that are opening to us, like laying a pipeline across the tundra which has its own impact on the environment, and although it seems like a relatively simple job and it seemed that way when the thought was originally proposed, we are finding in some of those unique perma-frost that a hot oil line can cause a problem. I am sure that there will be and is a solution.

Other problems and challenges come up when we think of moving some of that North Slope oil by tanker. In fact, whether you move oil from Alaska or from some other

foreign source, the movement of oil by ship to our ports, whether they be on the Atlantic or Pacific, is bound to increase, and I don't have to tell you people about the hazards and the challenges that are involved in that.

Just last month we had a reminder of the fact that tankers do sink and continually break up, with all of the technology that has been developed to keep them from doing so. The MARPESSE, returning from Europe in ballast to the Persian Gulf, went down off West Africa on her maiden voyage, all 200,000 tons of her. There was no third-party damage, and so consequently the story got a small play on page 2, but this ship, as many of you know, was twice as big as the TORREY CANYON.

In spite of this loss, I still say that the ship-owner and industry were really lucky. I am not condemning or even going to try to condemn the larger tanker concept, but I am saying that when Japan has a dock today capable of building a 500,000-ton ship -- and I am sure that dock was not built for window dressing -- we must look at the challenge that this presents. A tanker this size would carry oil in a single trip equal to a day's traffic through the Suez Canal at the time it was closed in 1967, 3.5 million barrels. Just compare that with the 7,000 barrels lost from the Santa Barbara leak. Put that in the context of a stormy night off Hatteras or a fog off the California Coast. If you don't think

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that is a challenge, then I don't know what is. I have talked awhile about some of the more spectacular possibilities for damage to the environment from the oil industry operations.

Coming closer to home, the challenges are just as spectacular. There are tens of thousands of small spills that happen every day, some accidental, some of them deliberate. Nobody pays them any attention, but they add up.

Every year, 350 million gallons of used motor oils get disposed of by service stations. The hero of this action used to be the re-refiner, who would collect the waste oil and make something salable and useful out of it, but the re-refiner is decreasing in numbers, and the sanitary sewer system is taking his place as the collector of waste oils in all too many cases, and once this oil gets into a sanitary sewer system, it really plays all kinds of hell in trying to solve that problem and adding to the pollution problem. And, then you take the farms and the airport and the railroad and the factories, and all of those other industries that use oil and greases, and they all have the problem of what do with the waste, and so I say that challenge is great to all industrial America and also an opportunity, an opportunity to find a solution to re-use or dispose of all of these lubricants, and consider the impact on the environment that is produced not by the oil company operations but by their by-products, specifically petro-chemicals.

(2)

We have just now put some realistic controls on the sale and use of DDT, although scientific reports indicate that human mothers' milk already contains more DDT than we permit in cows' milk sold for human consumption.

We must realize that many of the products you have developed for specific purposes may also produce environmental effects that they were not intended to produce. Let's look at the pesticides. They are all basically designed to kill bugs but they will keep on going and kill birds and fish, and the fertilizers that we use in our every day lives produce the algae in the downstream lake and the detergent that the housewife uses does the same thing.

Now, these were all considered useful things, and we never considered the side effects. Well, I have been a little bit busy up here talking about the challenges of our time, and I might sound like nothing has been done but it was just the other day when I was in New York on the news that one of the feature stories was how auto makers and oil producers were working together on smogless vehicles, and we know that new automobiles will have drastically reduced the emission rates of carbon monoxide in unburned carbons, up to 85 percent less than old models. In fact, better than the old models, but we can't forget that petroleum products are still the major contributor to air pollution, and don't forget that even with the improvement that we have in the

automobile today and we will have by 1972, there will still be 100 million vehicles on the road that haven't the smogless devices, and so it will be a while.

The challenge for clean gas is much like the other challenges we have talked about. They are challenges issued by a growing majority that is putting the environment as its No. 1 priority in America today. Challenges issued to those who would carelessly and maybe needlessly foul the Nation's air and water, or those who would stand by like those of us in authority to do something about it and then do nothing. We do not intend to do nothing.

These are challenges of all of us, challenges to do a job with a clear recognition that clean air and clean water and healthy ecology must somehow fit in the total economic situation.

Well, I can say this, that I think that we are together and we are starting to accept these challenges. They will not only be met but they will be licked. I personally regard the study of pollution problems caused by oil and gas operations as one of the two or three most important assignments Interior has ever given to the Council, and I am looking forward to when that report comes in -- I think it is next July -- with an expectation that it will help us both to meet the challenges of not only today but of the 1970's.

To help meet these challenges, we offer you the

total availability of our research and our technicians -- I think we can speak both for the Federal and the State level -- and that the laws that are on the books in many cases can do the job, and the permanent Council on Environmental Quality that President Nixon has created in his office to give direction to the efforts of Government agencies as they relate to the environment, and now you must contribute an equal measure of determination and realization that we must delicately balance man and nature, while we shape our environment to leave a better quality of life for the generations to come.

You know, when I was a young man and I boxed, I always believed in beating that opponent in the earliest possible round. It was the most economical and most effective and best way to keep the fans in your corner, and I sort of still believe in that strategy, and you have the ability, the resources and the experience to knock out pollution.

Well, we have already missed the first few rounds, and some of the points are stacked up against us, but by fighting now and fighting hard with the will and determination, it will be the least costly and most effective way to win, and when you do that, you will have the people with us and not against us. I think these are the challenges and these are the things that we want to help you overcome.

Thank you.

(Applause.)

THE CHAIRMAN: Thank you very much, Mr. Secretary, for your remarks. It was a very wonderful address, and thank you for putting these challenges of today in plain language.

I believe I can assure you that this industry, and I know of none that is more responsive, more responsible or more aware of problems you seek to solve, and I believe I can assure you that everyone here listened to what you had to say, and I think we can also assure you that you will see a responsive action on our part as rapidly as possible.

Now, I did appreciate something in your remark about the re-refiner. If you will forgive me for a personal reaction, in my youth days in the early 1930's, the very early ones I must add, three of us used to be paid \$10 a month each. We used to go up to the drain from the engineering lab, clean up the oil and sell it back to them. That \$10 each came in handy.

There is a purpose to this story and that is that the best way to conserve something is to figure out to make it worthwhile conserving. That is the best conservation method there is, to make it worth saving.

In view of the context of your remarks, we are particularly pleased to be honored by the visit this morning -- and he is at the table -- of a man whose reputation is made in this field of water and air and conservation. Under

Secretary Train, will you please stand so the gentlemen can all see you.

(Applause.)

THE CHAIRMAN: Do you have anything you would like to say to us?

UNDER SECRETARY TRAIN: No, thank you, Jack.
The Secretary has said it very well.

THE CHAIRMAN: No doubt about it.

SECRETARY HICKEL: He has the job of taking care of the tap pipeline. He is going to solve that.

THE CHAIRMAN: I think that will keep him busy.

I take a great deal of personal pride in the fact that the Governor of the great State of Oklahoma, Honorable Dewey F. Bartlett, and also chairman of the Interstate Oil Compact Commission, is here. Mr. Bartlett is an oil man himself, and if I may say so, is an expert on that.

So without further introduction, I know you all know who he is and I know you know of the importance of the Interstate Oil Compact Commission in this age.

Mr. Secretary, when coordination at every level is so important to achieve some of those results you were speaking of, I think that the chairman of this Commission and the Governor of Oklahoma and the Secretary of the Interior and the Government at all levels and industry have a mutual responsibility, I think, particularly in view of the

context of your remarks. His visit is particularly timely. We are honored to have with us Governor Dewey Bartlett, the Governor of Oklahoma and my Governor.

(Applause.)

GOVERNOR BARTLETT: Jack, thank you very much.

Mr. Secretary, Secretary Hickel, distinguished guests, ladies and gentlemen, I am a little bit surprised, Mr. Secretary, that you didn't, since you were talking quite a bit about solutions and solutions to problems, that you didn't talk about the unique solution that we both learned about in Ponca City where they had experienced some gas seepages in basements and houses, and found upon investigation that the seepage had gone into the ground from the refinery areas, refined oils, and that by digging wells 5 feet to 8 feet, the city is in the oil business to the tune of about 800 barrels per day which Shell is selling to the Continental Oil Company's refinery and they are doing very well.

There is one company that is doing well in the oil business today and it is the city of Ponca City.

I want to thank you for this opportunity of appearing before the National Petroleum Council. It is a pleasure to talk to you and talk to you as Chairman of the Interstate Oil Compact Commission, to talk on what might be called the state of the industry or the industry of the States, because there are 29 oil and gas members of the Interstate Oil Compact

Commission.

There have always been problems, as the Secretary said, and there always will be, I am sure, in the oil business. Perhaps the difference right now, though, is that the industry has taken a shellacking and as it looks forward to the future, it looks forward with much trepidation. If there is any optimism -- and I think there is, and I think it is perhaps probably through the Interstate Oil Compact, that the Interstate Oil Compact States, the industries and the Federal Government, can produce a strong nation, one not faced with the prospects of being energy deficient within a few years or within times of stress and strain.

The industry has been good at problem solving, and as I think is generally said, the oil people have not been good at creating a good image. From Santa Barbara to McKeesport in recent months, the image has not been good.

The State of Oklahoma, at my direction, I might add, filed suit in McKeesport. I think a rather Northern State also filed suit.

As the Secretary said, the environment, as we approach the 1970's, is one of the top goals of President Nixon, and as we look, we realize the impact that the environment today has on the public, has on our constituents and has on the consumer. It reminded me of a story of a particular industry that a few years ago its leaders and trade associations,

actually two of them, approached the State legislature in that particular State, asking for controls on their industry in order to prevent pollution and tighten up the pollution control that was then existing on their particular industry, and after they were successful in helping pass, asking for these bills, they realized that then there needed to be more people in government in order to control the laws and in order to enforce the laws that were just passed, and so they lobbied again for a tax on themselves to provide this extra personnel and the regulatory agency of State government in order to enforce the laws, and what happened was that the pollution that they were concerned with was done away with, so that this State was one of the few States and one of the few States today that can say that it has much less pollution than it had 15 years ago, 5 years ago, and that it has very little pollution today.

I told this story just last week to a group of geologists in Oklahoma City, and I can tell by their faces that we were amazed, and I think I could tell, too, with their comments afterwards that they would like to have this be the State of Oklahoma, and this be their industry, the oil industry; the sad thing about it, it is. This is a story of the State of Oklahoma. It is a story of the oil industry in the State of Oklahoma.

Unfortunately, it is one of the best kept secrets

in our State of any that we have. There has been no publicity about the fact that fish are being caught in streams that fish could not live in just a few years ago in Oklahoma, and that many of you who are perhaps not as familiar with Oklahoma as you have been in the past would be surprised not to see the salt water damage to the surface of leases, as you probably remember.

It has changed, and it has changed because of the oil industry leaders. This reminds me of the story I have enjoyed about the oil business, of the fellow who wanted to get acquainted with people because he was to buy leases for his company, and he thought to go this revival, and so he did and he walked in and the minister was saying, "Let's pray for the pure and the humble," and he said, "Let's pray for the Magnolia, too."

This man had enthusiasm. He was willing to sell his company, and I think that maybe today, all of us, particularly those in the industry, you, need to sell your industry, and a few prayers won't hurt, either.

People say the image is bad. I think facts are badly needed today. We had recently a meeting of the Independent Oklahoma Petroleum Association in Oklahoma, and they invited Martin Lobel, who is Senator Proxmire's assistant, and one point he made to me was that the industry is not answering questions. Whether that is correct or not, certainly

there are people that are of that opinion, and I have heard it from various sources in Government and elsewhere that some of the questions asked are not being answered, or they are just being answered as Mr. Lobel says by one company, and it happened to be a very large company that I don't think would be speaking for the entire industry because of the size differential between it and the great majority of those operating in the oil industry.

Recently in Oklahoma -- and we have been working hard on industrial development because of a loss of employment in the oil industry and agriculture, and we had a prospect for a manufacturing company and they asked lots of very deep questions about the State, about the city in which they were interested, and it finally occurred to me that what they were doing is that they wanted to look at the conscience of that city and the conscience of Oklahoma, and I think maybe that is what the industry needs to do, look at the conscience of the oil industry.

I am proud to be a geologist and I am proud that I have been in the oil industry, and I am proud to stand here and say that I am a Governor of an oil State and that I was very happy to be chairman of the Interstate Oil Compact Commission at the time when it has its difficulties, but I still think that there must be some problems, and problems that I don't see, and perhaps problems that you don't see.

I know that in the leadership for getting industry and all of the things we are going with the disadvantaged, the unemployed, that those who are taking the leadership positions in our State to a great extent are oil men. Yet this doesn't seem to rub off on the image of the oil industry in our State.

The oil business, in my opinion, has, and should have, certain advantages over other large industry, such as steel or autos, railroads, airlines, but on the other hand there are many small businessmen engaged in the same business as the large ones. This should be an advantage but isn't.

I think you should, with the large companies and with the independents, ask yourself this question. I don't think it has been. I don't think it has helped that there are thousands of small people in the oil industry to get across the point that the industry is trying to achieve in reaching the public.

Perhaps this, on the one hand, is because independents do not sell to the consumer and sell to larger companies, usually, but this should be here an advantage for the industry, the fact that it is so diversified in the kind of companies and sizes of operators that do exist.

You have in your organization geologists, land men, service station operators, the whole gamut, and yet I wonder

just how well informed these people are. It is obvious that it is popular today for the industry to be the whipping boy, but why is this? There has to be a reason or a number of reasons, and I think that the companies, little and big, the associations, including the Interstate Oil Compact Commission, should make efforts to find out why and then do something about it.

What is wrong?

I suggest independent polls to try to find out, not just one, not one adopted by all of the oil companies or one association, but a number of different efforts, and you will find out some interesting things about public reaction, I think, and about the reaction on depletion, the intangible charge-off, taxes in general for the oil companies, and the very important question of imports, if you had an independent agency poll your employees, without their knowing it was you polling them, in cities where you operate, in cities, say in Oklahoma or in New York City or in Houston, and then I think it might be particularly revealing if you had polled your own employees and see what the answers are.

I think one thing that people in government -- and this is a view I share and I think most of the people in the oil industry also share -- is that the oil industry wants to pay its fair share of taxes. I know during the recent testimony before the Senate, at the time that I was testifying and talk-

ing with representatives of the industry, I was trying to find some up-to-date figures on this. I found some from books and others that sort of, in a circuitous way, shed some light but not direct figures that were recent. They were old.

I think this should be updated to say what the comparison today from a highly regarded independent authority as to the comparison of the oil industry taxes, and those of other industries, all taxes paid State and local and Federal governments.

We know from the tax reform bill -- and I learned this in the State Senate in Oklahoma -- that a good tax is a tax on somebody else and it is called reform, but we want a good image for the No. 1 industry of Oklahoma, the oil industry.

I know you do, and this must be one that the industry owns, not an image that the industry just creates. We are finding out that there are some very strong weaknesses in the Interstate Oil Compact. We know, as you do, that the politicians are sensitive to their constituents and to the consumer, the same person, and the problem becomes a political problem because politicians have votes who influence and decide part of these problems, and other politicians have recommendations to make to a President who is elected who will decide another very important problem.

So the feeling of the people is important, and

then the facts that politicians know also become important. I found out in talking with one Governor of one of the oil compact States, and he said, "We have got to get that tariff across because we have got to keep the foreign oil out of the country," and I said, "Well, we sure got to control those imports," and he said, "That is right," and we were talking about writing a letter, and then he said, "You write it for me because I never did quite understand this thing."

But then I found out another Governor happens to have a representative on the Oil Compact who was a very strong opponent to him when he ran for reelection recently, and they haven't communicated.

Quite a few of the other Governors we think do not know their Oil Compact representatives, so I urge you to help correct this, and we are sending letters and wires to the Governors advising them who their representatives on the Compact are, asking the representatives to ask for a meeting with the Governor to bring them up to date because some of the Compact representatives have not seen their Governors in three or four years.

At this crucial time, some Governors are not really up to date, and I include myself. The same is true with congressmen, and so for this reason it is obvious that the oil industry lost a lot of its punch in Congress, and I think much of the reason is loss of this lack of facts, that the

representatives of the oil States do not have or the lack that they do have.

The Interstate Oil Compact is changing its format of the meetings. I think this would be recommended by a committee of Governors in the June meeting to emphasize basic factual information about the producing States to the Governors, and having a special evening and morning session so that they can learn about their own States as well as the industry, in general, and then a December meeting for the same purpose with congressmen, recognizing that this is a long fight that the oil industry has been in for many years and undoubtedly will be in for a long time.

There is one State we do not have in the Compact. It is vital to the country and vital to the oil industry. That is the State of California.

If you could help interest this State in joining the Compact, it would add much needed strength. I would like to dwell for a few moments on the past of the Compact.

We celebrated our 35th birthday of the Compact and, of course, it recognizes the powers of the States, and it is a very definite counter play to Federal control of prices in the oil industry, and so its strength is very important, but those of us that know our petroleum history, know that the Interstate Oil Compact had no authority to make laws or rules or to impose its beliefs upon any State or any segment of the

industry, but we also know that its influence is instrumental in the orderly regulatory processes that exist today. I know a few years from 1935, conservation of oil and gas above and below the ground became a reality. The Compact entered its second phase, that of being an educational body, a marketplace for ideas, a common meeting ground for the Governors of oil-producing States and the regulatory officials and the industry, but times changed, and as those times change so do the needs of the industry and the States in their respective positions, and other things change.

The needs of the United States consumer spiraled upward; the reserves-to-production ratio is dwindling. The Federal Government is becoming more and more important as a force in regard to the latter; certainly not a situation that applies only to the petroleum industry.

As Governor of Oklahoma, I have seen the Federal Government become more and more involved in various areas and, fortunately, with the present Administration there is a desire to strengthen the role of the States, and I can think of no better way to strengthen the role of the States than to confine any changes that are made in imports to changes in the present program and not adopting a tariff for the purpose of reducing price.

In some areas there has been a vacuum in the past, and the Government has seen fit to enter those areas, but

in the area of petroleum industry, there has not been a vacuum. The States have met their obligation and discharged their responsibilities.

Where have the States and the industry failed the citizens of the United States? By creating artificially high prices for gasoline. The price of gasoline is almost identical to its price of 20 years ago. Have we failed by squandering our natural resources? The conservation of oil and gas is at the highest and most sophisticated level in the history of this country; by not finding new reserves, particularly of natural gas, it is neither the States nor the industry that has hindered exploration. If we are not developing our reserves fast enough, I submit that those things have been done recently, such as a reduction in the depletion allowance, it will only make it more difficult to explore sufficiently to find enough reserves, and because of the offensive amount against the intangible drilling cost and uncertainty about imports, this hasn't been conducive for developing long-range exploratory leasing and drilling programs.

When in the entire history of the United States of America has the Federal Government ever attempted to establish a tariff for the purpose of suppressing and reducing domestic prices? When and where has the United States of America adopted a price control policy for a basic industry?

The Federal Government supports the price of wheat for the benefit of the farmers. The Federal Government maintains a tariff for textiles for the benefit of that industry.

The Federal Government disclaims any interest in private controls as a tool against inflation. Why then does the Federal Government or some in the Federal Government want to depress crude oil prices?

I think this effort by those who are pushing it has to be considered a rather vindictive effort directed at the oil industry. The beneficiaries of the tariff certainly, I feel, in the long range are not going to be the citizens of the United States because I think the benefits will be very short-lived if there are any at all, but on a long-range basis who will be the beneficiaries?

The only persons that can possibly benefit on a long-range basis are the Arab and South American nations who are the petroleum exporting countries who undoubtedly will increase tax on their crude by 50 cents to \$1 a barrel. Some, if not most, of these increased costs undoubtedly will be spent even to buy arms to further increase the tensions in parts of the world.

When this happens, the American consumer loses his \$1.50 advantage and the oil industry in the United States will be faced with problems much larger than those faced to-

day.

Meanwhile, our consumer has already spent \$7.50 several times over and he has done this in buying natural gas. So we see that the industry, Federal Government, States, face difficult problems. I feel strongly that these problems can be solved and I think that they are going to be solved with more facts, facts that must be promulgated throughout the country, and with enthusiasm, the kind of enthusiasm that we Okies talk about in Oklahoma. To quote Will Rogers, "When the Okie left Oklahoma and went to California, it raised the IQ of both States."

Thank you.

(Applause.)

THE CHAIRMAN: Excuse the little turmoil here; the Secretary and Governor Bartlett, too, both have things they must do very shortly. So in the interest of time, we deviated from the agenda and we will have the rollecall in a moment. However, I do want to introduce three members of Governor Bartlett's staff.

Tim Dowd. Will you stand, please, Tim.

(Applause.)

THE CHAIRMAN: Mr. Dowd is the director, I guess you would say, of the Interstate Oil Compact organization.

Also Mr. Mike McCarvel and Mr. Doug Faust, both of the Governor's staff. We appreciate having all of you.

present with the Governor.

Now, it is my great pleasure to introduce here -- and we are very grateful to him for being here, even to be introduced and for such remarks as he feels in position he can make -- on my right is the Honorable John Nassikas who is the new Chairman of the Federal Power Commission.

(Applause.)

MR. NASSIKAS: Mr. Chairman, members of the Council, invited guests, typically or untypically, I normally prepare a speech and tear it up. Today I didn't prepare it.

As I listened to Secretary Hickel and Governor Bartlett, obviously thoughts come to mind that may be with you at all times in attempting to serve the public interest.

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It seems to me that it was Ecclesiastes who stated, "To everything there is a season, and a time to every purpose under the sun."

(Really, this is an eloquent expression of what we are talking about today in our concern for the environment, and you concern for the environment, and the Federal establishment's concern, States, local governments, citizens, because the environment is in the public domain.

Now, starting from that rather simplistic observation, what do we have to do ourselves at the Federal Power Commission in serving environmental interests, which is national policy as articulated in the Environmental Quality Act of 1969, and as endorsed by President Nixon on January 1, 1970 to usher in this new decade?

(We must, of course, concern ourselves with attempting to find the most optimum solutions to environmental problems and attempt to balance on the scale of social justice, if you please, how to meet energy demands and needs in the balanced energy economy at a reasonable price to the consumer, to assure adequate service to the consumer and at a reasonable return to the investor.

(Now, it seems to me that while ostensibly these two objectives may appear to be in conflict, this is not necessarily so and that we can perhaps meet the demand of the American consumer and almost an inexhaustible rising demand

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for energy, and at the same time to exert a minimum impact on our environment in supplying this need.

(It seems to me that if you want to reduce it into even further simpler terms, recognizing that 75 percent of our energy needs are supplied by your vast and great industry, with over 50 percent in terms of BTU or thermals, whichever way you wish to put it, being supplied by the gas companies which are largely under the jurisdiction of the Federal Power Commission, or otherwise stated, you could state that perhaps 32 percent of total needs are supplied by the national gas industry, and perhaps 43 by oil, but recognizing that this is a fact of life, just as is our environment, (it is true, it is a true observation, I think, I think indisputable, that our present standard of living, which is imminent in the world community, got there in part because of our energy complex, which you gentlemen are concerned with in every day of your working lives.

(So that we must be assured, in my opinion, of continuing to allow solutions within the framework of the free enterprise system; even though portions of your industry are regulated, nevertheless you were part of the free enterprise system.

(I would include in that definition publicly owned gas companies and municipal departments, as well as publicly owned electric utilities or cooperatives, et cetera. This

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is the free enterprise system, regulated as it may be -- and I think we have to be certain that in attaining objectives which we all wish to reach common objectives, that we never lose sight of the very fact that added costs must be borne by somebody, and if increasing productivity as a result of research or more efficient management cannot offset added costs of coping with environment or other added costs, which are induced by inflation, then at that stage your companies require adjustment because you are in competition in capital markets and for personnel, and in other areas, with all of industry, regulated or not.

When I say this, I do not lose sight of the fact -- and I would like to emphasize this, because it may be easy, perhaps, to arrive at a wrong conclusion.

I want to emphasize that I recognize -- and the Federal Power Commission recognizes -- that our predominant concern, or my dominant concern, the overriding concern, the paramount concern, is to protect the consumer interest. The consumer interest is not necessarily identical with the environmental interest because, as I stated earlier, as costs go up, as inflation comes in, then part of those costs to the extent they cannot be absorbed by industry must be passed on in consumer rates which result in a higher burden, if you please, to the consumer but a justifiable one.

In concluding, I would like to state that our

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Commission endeavors in the exercise of our delegated functions by Congress to exercise an informed judgment with our staff and from our own studies and investigations, an informed judgment with reference to any findings we make and conclusions we draw, or any cases that we decide, and this is part of the regulatory process, because we engage in the somewhat ponderously labeled term the exercise of a quasi-judicial function.

I think it is a judicial function in terms of cases before us, and it must be honored. To assist us and to assist you, you, yourself, as producers, as pipeline companies, and as distributors, to assist you in carrying out your service in the public interest, as a regulated industry or partially regulated industry, it is absolutely essential, in my opinion, that we receive the necessary information so that we can exercise an informed judgment for a regulatory response to changing conditions without regulatory lag, and I will specifically pinpoint what I am talking about.

There is a natural gas survey, which is very similar to the electric power survey, in terms of the electric power industry. It is not a novel thought. It is a thought which I articulated on the public record before the Interior Subcommittee and the Senate Committee on Interior on November 11th and November 12th of this year. This is imperative.

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When I say this, this does not mean, however, that progress stops until such time as the survey has been completed, because there is evidence which can be presented in cases, depending on what it is, to articulate what the facts are with reference to supply or deliverability capability, if you please, whichever way you wish to term it.

Perhaps I could differentiate the concept of continuing on with regulations and not waiting a bit more. What I mean is this, as part of the continuing regulatory responsibility of the Federal Power Commission, it is essential to have a gas survey with more facts so that we can exercise an informed judgment and reduce regulatory lag.

Pending the completion of such a survey, we have to proceed on the basis of current information which we have in various forms which are filed, and through the classic method of cases, and decide the cases with reference to the evidence which is immediately before us.

I guess somebody once told me that they did not really agree with everything I had to say, but they did say to me that they thought that perhaps I said it in such a way that it was understood. I would hope that I have conveyed a clear message to you all today.

I am personally enjoying my work with the Commission, with my colleagues, and Commissioner O'connors is here today. He is a member of the Council of the Interstate

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Compact Commission, and Gordon, our General Counsel, who comes from Houston, Texas.

I have truly enjoyed my work with Assistant Secretary Hollis Dole and his staff at the Interior Department, and I think that there is much that we know, that there is much we can accomplish on a coordinated inter-departmental, inter-agency level here in Washington in trying to resolve mutual problems in an effective, practical workable understanding way, and we will try to do this if we can, and I thank you very much for listening to me.

(Applause.)

THE CHAIRMAN: Mr. Nassikas, Mr. Commissioner, I believe you can tell yourself that you received quite an attention.

We appreciate the effort you have made in being here today, you and your associates.

As a member of the National Petroleum Council, Mr. Commissioner, I was particularly struck by the comments you made looking toward, not looking toward, but acknowledging the very great coordination and cooperation between the Department of the Interior, with whom our responsibility is to work and advise, and the Federal Power Commission, and I might say, certainly as an individual, any way, that as the charming actor said to the charming actress, that is an end greatly to be desired.

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So much for that.

Mr. McKnight, this will be a good time to call the roll.

(Roll call was made.)

THE CHAIRMAN: Thank you very much.

Now, the next agenda item is that we are anxiously looking forward to hearing the Honorable Hollis Dole, Assistant Secretary of the Interior from Mineral Resources.

Mr. Dole.

(Applause.)

MR. DOLE: Chairman Abernathy, Chairman Nassikas, Governor Davis, General Case, Mr. Davies, Doctor Laird and members of the National Petroleum Council:

Foremost among its claims to distinction, I suppose, is 1969's identity as the Year of the Giant Leap. After a million years of awe and wonder, the moon finally became reachable by man in the historic moments of the Eagle's landing last July.

Now, while the attention of the world focussed on these and other exploits in outer space, some very significant giant steps were being taken by another dedicated team of explorers operating in what has often been called inner space.

Since September, 1968, the scientists and engineers aboard the drillship Glomar Challenger have been systematically

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On one occasion Challenger's drill penetrated 432 feet of sediment at a water depth of 19,650 feet -- the total drill string being slightly more than 20,000 feet. This is loosely comparable to drilling a 20-foot hole with a garden hose from a helicopter hovering a thousand feet above the ground. The entire venture has been a truly remarkable expedition, and I am delighted that the deep sea drilling project has been extended for 36 months.

Challenger's exploits are indeed a giant leap beyond the cautious nearshore probings in a few hundred feet of water that presently mark the limit of our capabilities to exploit the seabed petroleum resources. It will obviously be many years before it is practical to drill and produce in such locations as the Sigsbee Knolls, for example, where Challenger found a show of oil, gas and sulfur in a water depth of 11,700 feet.

I will go on to say here that it is by no means certain that it will ever be practical to recover petroleum from the deep sea beds when effect is given to alternative investments in synthetic production from coal, oil shale and tar sands. But the fact remains that a group of

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scientists and engineers have repeatedly penetrated the ocean bottom to depths exceeding three thousand feet under a water column ranging from six to twenty thousand feet. And they have done so at points as much as six thousand miles distant from our own shores.

Plainly, the reach of technology momentarily exceeds the grasp of social and economic convention in this case. This is the usual state; there is customarily a lag between what is feasible and practical and what is merely possible. These intervals between promise and practice used to be quite long.

The magnetic tape, for example, was first demonstrated to the people who attended the World's Fair in St. Louis in 1903, but it was almost another five decades before it became a common item in the market.

We now do our best to shorten this development phase, often with disastrous consequences, because the necessary social innovations demanded by the new technology cannot be made in time. The world had a half-century to get used to the steam engine. It had less than ten to accommodate itself to the ballistic missile.

We therefore ought to treat the years ahead as a grace period providentially granted us to devise proper means for dealing with the social, legal, political and economic ramifications that flow out of the technical developments.

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The Challenger exploits of the past year and a half have given us an inkling of the range of future subsea oil production technology. Even now, we are approaching the practical limits of water depth for production platforms; inevitably, the production function must be handled on the floor of the ocean.

This in turn means sea-floor completions, and eventually, the entire chain of operations from drilling through completion, production, treatment, and storage may be performed by underwater drilling and production bases. The challenge is to construct a legal and organizational framework that will adequately contain our developing technology.

Two main issues are involved. The first of these is the geographic limit of exclusive national jurisdiction over subsea mineral resources. The second is the question of what kind of international arrangements should be devised to govern the exploration and exploitation of subsea resources beyond the limits of exclusive national jurisdiction.

If we are to go marching out to sea in giant steps we first ought to have a certain understanding of the limits to which we can do so. And the fact that it is now possible to bore holes in the ocean bottom in twenty thousand feet of water anywhere in the world forces us to consider the means of disposing equitably of the resources that may be

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found on the world's great common, the deep ocean floor.

At the risk of burdening you with some things you already know, let me start out with a resume' of the present role of offshore oil and gas production in the world.

In 1968 offshore production accounted for over five million barrels of oil a day, or 16 percent of Free World production. This production is still strongly concentrated in a few places like the Persian Gulf and the Louisiana Offshore, but important discoveries have been made in recent years which are broadening the offshore production base.

Exploration is proceeding vigorously on concessions granted by 28 countries, including Australia, Indonesia, Venezuela, and the nations along the West Coast of Africa. At the end of the past year, approximately 170 mobile rigs were working, worldwide. Marine seismic exploration has risen from about 300 crew months in 1960 to 500 in 1968. Cumulative investment in offshore exploration and production exceeds \$15 billion.

We believe that offshore activity will continue to rise steadily and strongly, and that its share of total Free World production will be as much as 35 percent by 1980.

Increasingly, then, the attention of oil and gas explorationists will be turned toward the seabeds as the more productive area is huge, comprising the submerged margins of all the continents and the small semi-enclosed seas, among

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them the Caribbean, Bering, and Gulf of Mexico. Because the rocks in these provinces are continental in character and origin, their petroleum-bearing potential is comparable with those of the exposed portions of the continents.

In the case of the United States, the submerged part of the continent out to a depth of 200 meters comprises an area of about 300,000 square miles. The underlying rocks are thought to have potential resources in place ranging from 660 to 780 billion barrels of oil and between 1,640 and 2,220 trillion cubic feet of gas.

The area between the 200-meter and the 2500-meter isobath approximates 430,000 miles and is considered to hold resources of the same order as that lying shoreward of the 200-meter contour. These figures compare with an estimate of roughly 1,300 billion barrels of oil and 3,000 trillion cubic feet of gas originally in place on shore. The significant difference between the wet and dry provinces is that we have been looking for oil and gas in the offshore regions for over a hundred years and we have found the most accessible deposits. We have barely scratched the surface in our search for petroleum resources under the sea.

The fact is that even after twenty years of development, most of our offshore oil still comes from fields underlying less than a hundred feet of water. The deepest water in which a production platform has been located is 340 feet,

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roughly 100 meters.

A small but increasing number of wells are being drilled in water depths of 200 meters and greater, but development of fields in these water depths is still a few years away.

In a few words, the offshore producing industry is still in the wading stage; it will be a while before any free swimmers appear.

We thus have some time in which to dispose of the question as to just how far seaward does the exclusive jurisdiction of the United States over the sea bottom extend. The Outer Continental Shelf Lands Act is silent on this point, as is the Proclamation on the Continental Shelf issued by President Truman in 1945.

The 1958 Geneva Convention on the Continental Shelf defines the shelf as "the seabed and subsoil of the submarine areas adjacent to the coast but outside the area of the territorial sea, to a depth of 200 meters or, beyond the limit, to where the depth of the superadjacent waters admits of the exploitation of the natural resources of the said areas. . . ."

The adjacency and exploitability aspects of this definition have provoked considerable discussion as to the meaning of the definition and as to the location of the seaward limits of the shelf. In fact, three different interpretations

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have evolved. There is general agreement among the three that the juridical shelf extends seaward at least as far as the 200-meter depth contour; beyond that point, however, the concepts diverge into one "narrow shelf" and two "wide Shelf" interpretations.

The two "wide shelf" concepts agree on the part of the seabed to be considered as "adjacent" to the continent: specifically, all of the geological continental shelf; its seaward face; the continental slope; and the continental rise, which is a plain of continental sediments eroded from the shelf and slope extending from the toe of the slope down to the abyssal floor.

The two "wide shelf" interpretations divide on the question of exploitability. One view takes the position that the seaward limits of the juridical shelf at any given time are fixed at the greatest depth at which the then existing technology permits the exploitation of the seabed resources.

Since technology is steadily enhancing its capabilities, the boundary is not fixed, but moves seaward with the technical advances. In no case however would this moveable boundary go beyond the seaward edge of the continental rise because beyond that point the rocks cease to be continental in origin and cannot be considered adjacent to the coastal nation involved.

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The second "wide shelf" theory rests on a profession of faith that technology will eventually be able to exploit all the submerged lands adjacent to the continent, even if it is not able to do so now; therefore, the whole seabed out to the edge of the continental rise is "exploitable" within the meaning of the Convention and hence presently part of the coastal nation's continental shelf.

In contrast to the two "wide shelf" interpretations, the "narrow shelf" approach holds that the precise limits of the Continental Shelf beyond 200 meters cannot be determined under the existing Convention definition and that a new definition is needed. Under this theory, the outward limits of what is "adjacent" do not extend much beyond the 200 meter isobath; the result is that the juridical continental shelf ends at a point somewhere near the edge of the geologic continental shelf and far short of the continental rise.

There have been a number of attempts to resolve these disagreements, usually by substituting some kind of fixed water depth or distance-from-coastline criteria for the "exploitability" and "adjacency" tests. One such proposal would fix the limit of the juridical continental shelf at 200 meters or 50 miles, whichever is greater.

In addition, there have been various proposals calling for the establishment of an "intermediate zone" for each coastal nation seaward of the 200-meter-50-mile line. This

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zone would extend seaward to a water depth of 2,500 meters or 100 nautical miles, whichever is the greater, or perhaps to the seaward edge of the continental rise. Control over this intermediate zone for purposes of exploration and exploitation of its natural resources in the seabed would be given to the adjacent coastal nation. Payment of a small portion of the value of production in this area would be made to the international community.

Regarding these different concepts, the Department of the Interior leans toward the first of the "wide shelf" theories: that is, the limits of U. S. jurisdiction to be fixed at any given time by the extant technology, but ultimately not to extend beyond the seaward edge of the continental rise. Under this expanding boundary concept, as we view it, the U. S. retains the exclusive option to explore the natural resource of the seabed out to the seaward edge of the continental rise, as technology renders such options possible.

As you know, eight of the 71 tracts we leased in the Santa Barbara Channel were beyond the 200-meter isobath, and our lessees have justified our faith by drilling wells on them up to 400 meters in depth. It is worth noting that we are not alone in exercising sovereign rights beyond the 200-meter curve. Over 29 other coastal nations have granted off-shore concessions in waters identified as deeper than 200 meters.

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The second issue -- that of control and disposition of mineral resources on the deep sea floor, is currently before the United Nations Seabeds Committee. This appears to have more relevance to resources other than oil and gas. You are familiar, I am sure, with the extensive deposits of nodules containing manganese, iron, copper and nickel that lie on the ocean floor in many places and some of the experimental work that has been directed toward the job of mining them. But the evidence that we presently have -- and it is not much, I should add -- does not suggest that the deep ocean sediments are a good place to look for oil and gas.

I would like to go on and say that I am speaking only of the crust that is truly oceanic in character. There are many examples of continental rocks to be found under what might be considered deep water; there are extensive stretches of the continental rise located well below 2,500 meters.

Moreover, the small ocean basins may contain rocks of continental origin at water depths approaching those of the abyssal plains of the great oceans -- the Sigsbee Knolls being a case in point. These physical factors, plus the uncertainties as to the seaward boundary of exclusive sovereign control make the matter of deeplying resources worth the attention of petroleum producers.

In its presentations to the U. N. Seabeds Committee, the United States has proposed a set of principles designed

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to govern development of seabed resources found beyond the limits of national jurisdiction. These can be paraphrased to a statement of objectives that policies governing deep sea resources should be designed to achieve. Among these are:

1. Encourage and promote seabed exploration and development by providing due protection for the integrity of investments, confidence in the stability of the rules, and an opportunity for a reasonable return on risk investments.

2. Assure that the seabed beyond the limits of national jurisdiction will not be subject to national appropriation by any means.

3. Guarantee free access for all nations to seabed resources without discrimination.

4. Provide for the return of some revenues derived from exploration and exploitation of seabed resources to the needs of the international community.

5. Protect human safety, prevent or reduce to acceptable limits interference with other uses of the sea and damage to other resources and the ocean environment, and prevent unnecessary waste by establishing operational standards for exploration and exploitation.

6. Guarantee freedom for scientific research.

7. Encourage international cooperation and help the developing countries acquire the capabilities that will enable them to participate directly in seabed development.

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8 Develop satisfactory procedures for avoiding conflicts and settling disputes related to seabed exploration and exploitation.

At the meeting of the United Nations Seabeds Committee last August, the United States announced as its preliminary view its preference for rules, procedures, and an international administrative agency for the registration of claims to mineral resources on the deep ocean floor.

In presenting this view, the United States indicated that it was not yet clear as to the details of the rules and procedures that would be desirable, and that its views were open to modification to accommodate changes that may occur in the character of international arrangements with the advance of exploration and exploitation over the years.

The United States' position on the arrangements for the management of mineral resources on the deep ocean seabed is therefore not firm at this point, because it is still in the process of development.

So we in Government continue to work patiently toward the objective of agreement, both on the seaward limit of the continental shelf and on the means and mechanisms for insuring the efficient and equitable development of the mineral resources of the deep sea.

We are hopeful but realistic, for we know that a vast amount of work remains to be done. It is an effort that

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gratefully receives all contributions; on our part we deeply appreciate the assistance the Council has given in its most informative report Petroleum Resources Under the Ocean Floor which was submitted last year.

I hope we may continue to all upon the Council and the industry it represents as the old problems of the past yield to solutions and new ones appear in the future. We are fortunate enough to have some time to work with. The past admonishes us to use it well.

Thank you.

(Applause.)

THE CHAIRMAN: Thank you very much, Secretary Dole. We listened to your comments about the international -- the proposed international regime with great interest. I note that the U. S. posture is not yet firm, I believe is the phrase you used.

I can only say we of the National Petroleum Council can only hope that the report of Vice Chairman Brockett, who is the Chairman, we hope it really helps.

MR. DOLE: It will be very useful.

THE CHAIRMAN: We have additional introductions to make.

(The additional introductions were made.)

THE CHAIRMAN: The next agenda item is the Honorable Rodger Davies, Senior Deputy Assistant Secretary, Bureau of

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Near East and South Asian Affairs, Department of State, and he will talk on "The Situation Report on the Middle East."

MR. DAVIES: Mr. Abernathy, distinguished guests, ladies and gentlemen. It is a pleasure to meet again with the National Petroleum Council. The Secretary of State has asked me to thank the Council and the officers of the Interior for asking him to address this meeting, and he conveys his sincere regrets that he cannot be with you this morning.

Secretary Roger directed that I give you a situation report on developments in the Middle East. Before I review the steps which this Government has taken over the past year in attempts to bring a settlement to the most acute problem facing us in the Middle East, the Arab-Israeli conflict, I would like to try to put before you a list of realities or the facts of life, as I see them, in the area.

In some of the following, I am undoubtedly guilty of oversimplifying what is in fact a highly complex and sensitive situation. Some represent trends, rather than actual developments, and all perhaps are open to challenge.

I think it is necessary, however, to put these forth in order to give the framework in which the decisions on U. S. Government courses of action in this most important area are made.

First, American interests in the Near East are of an enduring nature. They are important to our overall national

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interests and our interests lie in the region rather than in any one particular country, or a group of countries.

While in the material sense the United States has major interests in the area, oil, tremendous reserves, which are there, commerce, air and sea transit, and an overall free world security, I would put to you that all but the latter are really secondary.

The course taken by the 90 million to 100 million Arabs in the transitional society of North Africa and the Near East, will have a very profound effect on our own future and on the future of the free world. It will have a profound effect also on the long-range security of Israel.

The question is whether that Arab people maintain and strengthen the ties that have traditionally bound them to the west and develop free, independent and democratic states, or through frustration, primarily political, bind themselves increasingly to the new imperialism of the East.

If solutions to the problems of the Near East prove impossible or overlong in the making, we have a duty to see that conflicts in the area do not lead to global explosion, but in working to resolve the basic problem we must not ignore our other interests in the area. These make it necessary for our policies to rest on the regional basis which takes the sum of the parts as the point of departure.

Secondly, at this juncture it is highly unlikely

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that Israel and her Arab neighbors can reach a settlement on their own. Israel's strategy of holding conquered territory, maintaining military superiority, and responding seven fold to attacks from overseas fire lines, is unlikely to bring the Arabs to the negotiating table. This is particularly so if the Soviet Union continues political and military support and financial aid to the United Arab Republic and Jordan, and financial aid from Libya, Kuwait and Saudi Arabia to UAR and Jordan continues.

Given the wide dispersion of the Arab and their numbers and the nature of their societies, in my opinion, Israel cannot muster sufficient military strength to force its terms of direct negotiation without any indication of the terms of reference beyond that of the resolution on the Arabs. The Arabs, on the other hand, do not have the military potential to dispossess Israel from occupied Arab territories, and Arab leadership politically is too weak to agree to negotiations without reasonable assurances that Israel, holding both territory and possessing military power, will not dictate a settlement on its terms.

I think all our intelligence indicates that Arab leadership recognize that military power is not a function of arms alone, but rests also on the capabilities of the society, the manageability of the society, the trainability of the individual; they seem well aware that the only strong negotiating

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card left in the Arab hand is that of refusing to take actions which would represent their acknowledgement of Isreal's right to legitimacy in the Near East. This card would be played if the Arabs agreed to negotiations, and Arabs argue that they cannot play this card; they cannot move into negotiations unless they have some assurance that the guidelines for the negotiations will provide some opportunity for them to get what they consider essential rights.

Third, it is unlikely that Isreal will enter into preliminary indirect negotiations, particularly negotiations set up by non-regional powers, unless Isreal can be assured that these will lead to direct negotiations and a peace treaty.

Israel, too, recognises that the act of Arab recognition entailed in sitting down together at a table is an indispensable element of an enduring peace. Israel will not settle for less.

At the same time, and to our distress, there are indications that Israelis increasingly are discounting the possibility of a settlement, and they are looking for long hauls in which they will be forced to maintain military superiority over the foreseeable future.

Statements by Prime Minister Maira, and more importantly, present Israel tactics make it evident that Israel has concluded that President Nasser is a principal barrier to

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peace, that he can be brought down by showing the hollowness of his military pretensions, and again this is surmise on my part, I think Israel's strategists believe that any successor to Nasser would be better than Nasser insofar as Israeli chances for settlement are concerned.

Fourth, in the absence of a settlement, or even movement toward a settlement, progressive radicalization of the Arab National Republic and growth in the importance of the Palestinian liberation movement is probable.

While the fate represents no military threat to Israel, it is a significant political and psychological threat that such a moderate regime, Arab, as those in Jordan and Lebanon -- and potentially even to Nasser's regime in Egypt -- in the longer term, it could become more of a military and political psychological threat to Israel itself.

As the only dynamic movement on the Arab side, it attracts widespread Arab support. With no option of political means to recover occupied territories, governments such as Laos and Jordan and Lebanon cannot use their military forces to prohibit or control Palestinian activities against Israel without risking mass reaction of the nature as to threaten or overthrow these governments.

Fifth, the Soviets have gained politically and strategically as a result of their complete support of Arab courses since the June war. The Soviets assert that they

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are anxious to work with us for a political settlement. The Soviets, we believe, feel that another military confrontation between Israel and the Arabs would be a resounding defeat for their clients.

They feel also that if things got out of hand, the risk of confrontation with the United States might be too great to accept.

However, our conversations with the Soviets over the last nine months, I think, clearly indicate that the Soviets desire for a political settlement is not so great as to cause the Soviet Union to get out ahead of the Arab position in any respect. They are not willing to draw down on their credit in Cairo by taking those positions in the international forum which are necessary to bring about negotiations.

Sixth, the United States, in pursuit of its objectives of bringing peace in the area in maintaining its short and long-term interests in the region, must take an independent stand in terms of what the United States Government is prepared to support, not what the United States seeks to impose, or dictate to any of the parties, but what we, in our own judgment, believe what represents our national interest, represents a moral approach to settlement, an -- if you will, and it may be a dirty word -- even handed, balanced policy.

We must not, I think, confuse the national popularity

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of the United States with American influence abroad. We may not be popular in certain capitols, but by God, we do have influence.

We have been told -- and I think without exception -- that perhaps Damascus -- in a sense -- we do not have a dialogue with the Syrians; they recognize that there is one power in this world that can bring about the kind of peace in the region that they can live with, and it is not the Soviet Union.

Much of Arab propaganda directed against us has been motivated by a desire to move the United States from positions which the Arabs, I think incorrectly, have considered completely pro-Israeli. The Arabs, as well as Israel, have known what the United States Government is prepared to support since November of 1967.

There has been no change in the United States posture as to what we are prepared to support in the way of a settlement. Public disclosure of elements of our thinking in the form of Secretary Roger's speech on December 9th has caused a serious review of options in Arab capitals. It brought disarray to the Arab summit in Rabat, but it was not designed so to do.

It is evident, from our conversations in Laham and Cairo, that it also caused some rethinking as to the relative merits of the long haul, and another war, and a

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political settlement in which the Arabs would be assured that the reasonable settlement insofar as their interests are concerned.

The Secretary's speech and presentation of our formulations on our UAR and Jordanian settlement has also brought about an all out Soviet propaganda campaign to convince Arabs that the United States has been engaged only in a diversionary tactic, that its public position masks a policy which is, in fact, completely in support of Israeli objectives.

It is rather interesting, if you watch the translations from Moscow radio and from the Arabic and English broadcasts, or read the Middle East articles in Pravda, to see that the Soviets apparently ran scared and began to take measures to try to denigrate the U. S. posture in all of its outputs in the Arab world.

Given the circumstances and trends, there can only be very serious concern over the deteriorating situation both as between Israel and her neighbors and the position of the west and the United States relative to that of the Soviet Union in Near Eastern North Africa.

The United States Government remains convinced that a settlement is possible, and has sought to bring the principal parties to acceptance of the two major preconditions of the Security Council resolution of November, 1967. These

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are peace and withdrawal. We believe that if we can get a solid Arab commitment to accept the obligations of peace, then Israel will be more prepared to get into the substance of what, in fact, it feels its security will require in the way of any territorial adjustments.

Now, the situation as it has evolved over the past month is as follows: On October 28th in the bilateral discussions in Washington, we presented a paper, a basic negotiating document which would commit the UAR and Israel to enter into a formal peace. Our proposal specified inter alia that Israel, in the context of peace, including the specific Arab commitments to peace, and after negotiating the entire complex of mutual support arrangements with the UAR, would withdraw its forces to the pre-war frontier, such as demilitarization of the Sinai, the Strait of Gaza, plus arrangements at Sharm el-Sheikh to assure free passage to the Straits of Tiran, were to be worked out by the parties.

Now, the Cairo official position, not the propaganda position, has been that Cairo would have to see what the overall picture was; they couldn't deal with just one part of the problem. Specifically they asked to see what our idea on the Jordan-Israel settlement would be like. In the meantime, UAR propaganda charged the United States was trying to split the Arabs and also putting out what seemed ostensibly a balance in order to conceal the true nature

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of the United States tacit support for major Israeli territorial ambitions.

On December 18, in the context of the four-power talks which have been going on in New York, we tables proposals for an Israel-Jordan settlement. The proposals provide, among other things, that Israel, again in the context of peace and solid commitments to maintaining a state of nonbelligerency, would withdraw its forces from occupied Jordan except for mutually agreed insubstantial adjustments in free war armistice lines.

The proposals also contained general principles suggested by our government which we believe could provide a basis for discussions between the parties on enforcement issues as refugees and the status of Jerusalem. The Jordanian government, which is studying our proposals, has found merit in them and has been consulting with the UAR. We have yet no firm reaction from Cairo.

Soviet comments on our proposals of October 28th were received on December 23rd. The Soviets labeled them completely and unacceptable pro-Israeli. The Soviets' reaction, like the Soviets' position in the four-power talks, has been retrogressive and does not indicate, in our judgment, any readiness to seek the constructive balanced framework which would take both sides' interests and concerns into account; therefore, they have no value in bringing the parties

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together into negotiations.

We have been continuing to meet in New York with the four powers and there has been some progress in agreement, even agreement with the Soviets on lines that they rejected in their commentary on our October 28th proposals, but not enough to warrant any optimism that the four powers will shortly hand out terms of reference for Ambassador Jarring to proceed with his negotiation.

We are waiting definitive Arab reaction to our proposal. Israel which told us that the entire concept of any outsider involving himself or themselves in the settlement was completely unacceptable and would not in any circumstances be accepted by Israel. Israel's speech by Mrs. Meir has changed, that our proposal threatens Israel's position and diminishes prospects for peace.

Within the United States, there has been a considerable distortion of what the United States has actually proposed. In recent days, many strawmen have been elected for the sole purpose of knocking them down. Many canards, of which you are familiar, have been circulated as to what motivated their administration to make public its positions at this particular time.

The objective of the United States government remains and will remain that of achieving a negotiated contractual peace settlement. We believe that American

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proposals offer a fair and balanced framework which the parties could use to enter into negotiations under the auspices of Ambassador Jarring. We do not assert Israel's position that her position has been threatened. We have not suggested her withdrawal from occupied east, except in instances of peace which Israel negotiate and finds acceptable.

Throughout we have had in mind Israel's security concerns, longstanding American interest in Israel, as well as longstanding American interest in the region as a whole. Our policy, in fact, has undergone no change since it was blocked out in June and July of 1967.

Our tactics, yes, they have changed in that we have made public the position which we are prepared to support, an action we felt necessary because of the distortions which both sides were engaged in so far as U.S. policy actually was. I believe that if we stand firm, if we continue to deal directly with Cairo, as well as try to provide some agreement in the international forum as to what the resolution stands for, that there is a reasonable chance that the United States can play a major role in bringing the parties into negotiations.

Thank you very much.

(Applause.)

THE CHAIRMAN: Thank you very much for a very informative talk. You know, you made your comment about cheap popularity. We are glad to have you reaffirm to us that

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underneath a good deal of the noise and racket, there is underlying respect. We hope that is the trend for the United States. We hope that trend can continue and improve.

(We also thank you for clarifying what has really been a very tangled situation. It's like looking at a can of worms. You cannot tell where one begins and the other ends.

It was very thoughtful of you and it was a thought-provoking speech. I might mention you commented about distortion of the nation's positions. This group understands distortion and what erroneous reporting can do.

Thank you very much for that helpful address to all of us.

(XX The next item on the agenda shown as number 8 is Mr. Virgil Couch who is Assistant National Director of Civil Defense, and he will report to us on the "Status of Civil Defense".

(MR. COUCH: Gentlemen, I bring you the sincere apologies of Governor John Davis who is involved in a matter of defense planning that he could not get down here, but I sincerely welcome the opportunity of meeting with this group again. It has been my pleasure over the years to attend these meetings, to meet with many of you personally, to have you at our meetings in the Pentagon, and to certainly work very closely with executives of the National Petroleum Council.

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It is certainly appropriate, as we begin the new year and a new decade, that we sort of take stock of where we stand in this thing called Civil Defense and emergency preparedness. It has been clear to us for a long, long time and it has been clear to the Federal government over the history, that government alone cannot do the job of preparing for war, preparing for enemy attack, preparing for survival of an enemy attack. Instead, it requires the very best cooperation, coordination, support and assistance of business and industrial leaders. In fact, in the history of this country, very little has ever been accomplished by government alone.

You in this room as leaders of vital and critical industry represent a very strong force for civil defense and emergency preparedness. You have heard some of the problems just outlined a few minutes ago that we are facing across the country. I didn't come here this morning to scare you, but I think you should remember that we are faced with a threat. For example, during the past three years, the Soviet Union has more than quadrupled its land base missiles, its ICBM's. It has more than the United States now and almost twice the weight-carrying capability of the USA. It's pretty clear that by 1975, the USSR will equal or surpass our submarine launching capability, and certainly that more nations will have the nuclear device.

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Attack on this country would result in blast and heat and radioactivity, the effects of nuclear weapons.

If we are going to deal with these kinds of problems, we must not only know what to do, but we must do something about them. But what is this thing that we are calling civil defense? And who is responsible?

Actually, when we talk about civil defense, we are talking about civil government in action in wartime, together with the support and assistance of business and industrial leaders, community leaders, citizens. Who is responsible? It's the elected official, the President, the Governor, the mayor, the county commissioners, and these are the people who appoint civil defense directors or coordinators in their community or in their state, with responsibility in a staff relationship to coordinate the protective resources in the community, to save lives and protect property in events of disaster.

Now, what is our national civil defense program? What are we talking about? Based on great studies, using information available only to the White House and to the State Department and to the Defense Department, using high speed computers and the best scientific brains in the country, the answer keeps coming out that fallout shelters will save more lives in less time, at least expense, than any other thing that we can do in civil defense.

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Where does civil defense fit into this total national defense program? Several months ago when the former Secretary of Defense was talking with the Congress, and the Congress said, "Look, Mr. Secretary, we are having a little bit of difficulty in understanding some of the things you are telling us about what constitutes our total defense effort in this country. Can you simplify it for us?"

And he said, "Yes, I think I can. Let me try."

He said, "Actually, there are only three parts to our total defense effort. One, our strategic nuclear offensive forces by which we carry the war to the enemy," And he said, "Number two, the strategic defensive by which we bat down the enemy as he tries to get into this country." And he said, "Number three, civil defense by which we attempt to limit damage of attack or minimize the effect of an attack." And he said, "Of these three, we can save more lives in less time, at least expense than for dollars we can spend on any other element of national defense," and recommended that more money be put into this kind of effort because it not only pays off in wartime, it pays off in people time. The military is giving support and assistance to civil government in times of an enemy attack, just as they do in peacetime disasters.

You may be surprised to learn of some of the progress that we have made in civil defense preparedness. Much of the progress that has been made has been due to many

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of you who are in this room, and certainly to American industry in cooperating and providing assistance in preparedness. For example, we have looked at over 5 million buildings throughout the nation in an effort to find fallout protection. We have found fallout protection for about 221 million people. We have looked at over 8 million homes with basements to find shelter, but this is not enough. We need shelter where people work, where they live, in school, in hospitals, wherever they might be at a time of an attack. We must either find more shelters or create more shelters, and shelters can be created if you will include fallout protection in the initial design of the new construction that your company has in mind or on the drawing board by using simple techniques that can be done at little or no additional cost, and architectural and engineering assistance is available to you in making these plans.

We are in the process of adapting that shelter availability to the population. We have taken maps, like your excellent road maps that are passed out, and we locate shelters on those maps and show which areas of the geography are supposed to use particular shelters and through that process we are finding where there are deficits of shelters and where we have too much shelter.

Actually, we have completed this effort in about 1400 counties throughout the country. We have established

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over 1700 warning points by which a button can be pushed in Colorado Springs underground, and these points, in a matter of seconds, receive the warning, and in turn let's the public know by the outdoor warning system.

In addition, we have tested and are ready to move ahead with the very effective indoor warning system, a device, again, which can be plugged in your home, rather inexpensive, and the warning will come in by voice. It is accomplished by, again, pushing that button in Colorado Springs with 10 radio broadcasting powers appropriately located throughout the nation, which will in turn broadcast to the device in your home.

Further, this brings the voice by which you get word. If your TV or radio is turned on, you will get that warning automatically through your TV or radio in your home, but if it is not turned on, by installation of a little device about as big as the end of a pencil eraser containing 276 transistors and 10 diodes, which can be rather inexpensively installed certainly at the time new instruments are manufactured, this will turn on your set and the warning will be such that it will get you out of bed in the middle of the night and you can listen to see what the situation is.

This has great potential in hurricane areas, flood areas, and we are very hopeful of this new development.

The emergency broadcasting system has been established

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whereby the President can -- and Governors and mayors -- talk to their people and talk to the public. The radio stations, over 620 of them, have agreed to thicken their walls or their ceilings or go underground so that they can broadcast during fallout conditions and still have their staff protected.

Local government has, in cooperation with the state and Federal government, established communications from local government to many of the cities and shelter areas, and communications have been established between local and state government, state and Federal government, and among Federal agencies. Over 3100 emergency operation centers, fallout protected command posts, have been established by government. Over 6800 radiological monitoring stations have been created, whereby radioactivity can be detected with a Geiger counter, electronic instruments, and the information made available to the public. Over 200,000 detection sets have been put in shelter areas where they will be needed.

We have been carrying on a program of training our staff where about 60,000 people have completed one, two and three-week courses, and where over 3000 business and industrial executives have spent a week talking about what do we do in business and industry. The colleges and universities have trained over 300,000 people. Over 120,000 radiological monitors have been trained, and 21,000 shelter

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managers. 19,000 architects and engineers throughout the nation have been trained as to how to analyze the building to locate the safest place where it would provide the greatest fallout protection and how to design it into new construction.

We have a course in medical self-help, which is put on by the Public Health Service, which 11 million people have taken. This is an extension of first aid. What do you do until the doctor comes? In medical self-help, we talk about what do you do when there is no doctor. It is a family course, a basic training in what to do and where to go and how to live through an attack. Over 1 million people have been trained by county agents and agricultural specialists what to do out on the farm.

What do you do? Many of you have done a real good job. Many of you have participated in the development of guidance on this subject, but if you were to ask your local mayor, what are your objectives here as regards civil defense and emergency preparedness, what are you trying to do? What are you shooting at?

He will probably tell you, number one, "I want to provide fallout protection for every person in this community, and if you who are in business and industry will permit your buildings and facilities to be used as public shelter, you will be a good strong partner in civil defense."

He would tell you that he wants to achieve

er 13 organizational capability to manage in wartime the same as
he does in peacetime, and he does this by enlarging and
extending the police department, fire department, health
department and so on.

So if you will train those people in your own
companies, you will have helped achieve organizational
capability to deal with a major disaster.

He will probably tell you also, "I want to inform
and educate the public. I want every person to know where
to go and what to do, every plant, every school."

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Many of you in this room have been valuable partners in this effort. By distributing Civil Defense publications to your employees, and more and more employees are looking to employers for guidance on major issues. He would probably tell you also, "I want to insure continuity of government," and here he is talking about the same kind of thing that certainly you should do, and that is he wants to plan for continuity of management. If the Chairman, the President, the Vice President, the Chief Engineer, or so on, is killed, who takes his place? And we plan on that basis by making succession lists. He need not only the management but he needs a place for these people to go, and so he sets up a management operation center. In industry we call them emergency corporate or plant headquarters where the people who run the business can go and be there to carry on during an attack and immediately following an attack.

He needs to give them the tools to work with in that place, and whatever vital records and documents. Without records, we suffer what we sometimes call corporate amnesia, and this is bad. So we put the records in those areas in order to protect them.

These are some of the kinds of things that are being done. These are the kinds of things that many of you have already done, and some of you need to do much more. Guidance and assistance on what to do is certainly included

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(in the excellent little booklet that has been developed, two volumes by the National Petroleum Council, and almost over 100,000 copies of these booklets have been pre-printed and distributed to other industries. These books are not only the Bible for the petroleum industry but they have become valuable guidance to many of the industries.

(It has been clear that this kind of preparedness pays off in peacetime, in major industrial accidents, in national disasters, in a new kind of CD, civil disturbance. Many, many of the protected command posts have been used in these instances. Shelter food has been used, and all other facilities of the company have been contributing to saving lives and protecting property and all sorts of disasters.

(It is a pretty clear principle and in preparing for defense, we prepare on the basis of known enemy capabilities. We know what those capabilities are, that we do not prepare on what we think enemy intentions are. It is a basic principle, too, that we prepare for the worst type of an emergency, and unquestionably a nuclear attack on this country could be the worst kind of thing that could happen to us, and if we are prepared for the worst, we are prepared for any lesser type disaster.

(Many, many companies have reported how this has paid off in peacetime, in better safety records, in saving lives and protecting property, because they have prepared for the

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worst.

I mentioned earlier, in entering into the 1970's and a new decade, as we have read the forecasts for the past three months as to what we can expect in the next year and in the next ten years, what is going to happen as regards our economy, our GNP, gross national product, our interest rates and recession or depression, all of the things that we have been talking about, it has been pretty clear that the forecasters have said, "On condition that we are not faced with a nuclear attack on this country" that upset the forecasters' applecart.

There is an old Chinese proverb which goes like this:

"The more we prepare in peacetime, the less we bleed in war."

Unquestionably, this is true as regards civil defense and emergency preparedness. Such preparedness will give us greater assurance of protecting our way of life, our free enterprise capitalistic system and insure our survival for a free nation.

Thank you so very much.

(Applause.)

MR. COUCH: Gentlemen, I have another little task to perform here this morning. It is pretty clear that the industry is perhaps better prepared than other segment of the

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population prepared for emergency, nuclear attack. It is pretty clear also that the oil and gas industry is perhaps better prepared than any of the other industries, and I hasten again to say thanks to you here who have so generously assisted in this effort.

Working together with the National Petroleum Council and the Office of Oil and Gas, much has been accomplished. The National Petroleum Council has resolved to provide guidance and assistance in this subject matter. They have appointed committees who have made studies and made reports. They have published guidance which has become not only the guidance and the Bible for the petroleum industry, but for other industries as well.

They have included a discussion of the subject on their program agenda in numerous areas, numerous meetings. The Council executives, Vince Brown, Colonel McKnight, the Office of Oil and Gas staff, headed by Wilson Laird, John Ricca, others, many of the members of the Council have personally addressed meetings of business and industrial executives throughout the Nation telling them that we are taking the Civil Defense medicine, and here is how it tastes to us and what it costs, and the problems we have run into, and we think you ought to take it, too, urging other industries and other companies to do likewise.

So in great full appreciation of these efforts and

dm 5 other efforts in assisting in the national defense effort,
I am very happy to present to the National Petroleum Council
the Distinguished Service citation, which is the highest award
given by the Department of Defense, for outstanding cooperation
and assistance in the national civil defense program, and I
wonder on behalf of the Council if you would so generously
accept this award, Mr. Brockett.

(Applause.)

MR. BROCKETT: Mr. Couch, on behalf of the National
Petroleum Council, we welcome the receipt of the Distinguished
Service citation. I say further that we are very pleased to
have you with us here this morning to discuss with us this
problem that is so vital to all of us as citizens of the
United States.

Thank you, sir.

(Applause.)

MR. BROCKETT: Gentlemen, next on the agenda is the
remarks by Major General Charles C. Case. He is the Commander
of the Defense Fuel Supply Center.

General Case.

(Applause.)

GENERAL CASE: Mr. Secretary, Mr. Chairman, ladies
and gentlemen, I have been in the petroleum business now just
over two months, so knowing that, perhaps you are wondering
why I am on the agenda. And, if you are, you have nothing on

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me.

But I have been asked to say a few words about the military petroleum situation. We at the Defense Department are now into a phase of declining procurement related to the de-escalation in Vietnam. In fiscal 1969 we hit the highest point since World War II. The consumption peak was last winter. It leveled off in the spring and it went into a decline in the fall, after we had placed our fiscal 1970 procurements.

So, we were forced to make substantial cutbacks on contracts already let. In other words, we under-lifted them. That is history.

We are now trying to forecast our future trends and we are faced with a lot of uncertainties, but we do feel sure that the decline will continue. We are looking for a 10-percent decline in fiscal 1970 and another 5 percent in fiscal year 1971.

This should bring us back to the 1966 and 1967 levels.

We expect the greatest decline in aviation fuels, but there should be a decline across the board; percentagewise, the largest reduction will be in Navy special fuel oil, as we convert to distillate.

We face even greater uncertainties in our fiscal year 1971 procurements, for our procurements will be influenced by policy decisions on import controls, international balance of

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payments, as well as the vagueness of military requirements. We are now in the early stages of procurement which will involve 1971 deliveries.

Policy changes at the Department of Defense on the national level, which impacts on these procurements, may cause sudden adjustments in our solicitations. We may be required to make last-minute changes in our award patterns. Defense economies and de-escalation of the war may reduce consumption faster than foreseen by the inventory manager, and we may again have to under-lift quantities already on contract.

When we do this, the impact is usually felt more severely by the domestic industry because we attempt to meet our reduced requirements from our lowest cost sources. Now, we hope that none of these things will happen, that our procurements will be well ordered, timely, and accurate, but I would be less than candid if I didn't alert you to these possibilities.

In closing I would like to thank you for the superb way you have supported us during the difficult period in the past.

(Applause.)

THE CHAIRMAN: Thank you very much.

Now, according to our next agenda item, we will have Dr. Wilson Laird, Director of the Office of Oil and Gas.

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DR. LAIRD: Mr. Secretary, Secretary Dole, Chairman Nassikas, General Case, Mr. Brockett, Mr. Brown, distinguished guests: It is a pleasure for me to be here. I represent a minority in more than one way, not only having been a former state official but also from North Dakota. I was hoping that Governor Davis would be here to give me moral support, but he isn't here.

I would like to also compliment the National Petroleum Council on receiving this award from the Office of Civil Defense. I think it is well deserved.

Having started a couple of laps behind my contemporaries in the present Administration, I want to take this opportunity to express my pleasure at being able to attend this, my first meeting of the Council. I have the privilege of knowing a number of you gentlemen already, and I look forward to meeting and working with the rest of you in this very productive relationship between government and industry that has served our nation so well for so many years.

What I shall have to say this morning is essentially a recital of events, both past and future, of immediate concern to the readiness posture of the petroleum and gas industries.

The National Training Exercise of the Emergency Petroleum and Gas Administration held in Washington last month climaxed the series of training exercises at regional

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level we had conducted during 1969. The national exercise was well attended and produced many ideas for improving our procedures. Partly through the passage of time, and partly as a result of what we learned through our training sessions and exercises, we have determined that our manuals need updating in a number of places. With these changes made, we can look forward with even greater confidence to EPGA's ability to meet the demands of emergency situations.

EPGA Regional Administrators are now scheduling regional training exercises for 1970. The dates for Regions 3 and 5 have already been set by Bennett Vaughney and Carrol Bennett for April 20 and 21. This series will emphasize interagency play, relationships between two adjacent regions, state resource agencies and will involve some companies. As always, we appreciate your company support of these exercises and the Reservists who are involved in them.

Next September 28 and 29 there will be a national conference of the National Defense Executive Reserve in Washington. Emphasis at this meeting will go to interagency roles and overall national resource management problems. All EPGA Reservists are expected to attend. I am sure it will be well worth their while, and that of their respective companies.

Summing up our war emergency readiness, we are gratified at the posture that EPGA has achieved over the

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past few years. We look for continuing improvement, but we are confident that it can do its job if it is ever necessary to summon it to active status.

Addressing the contingencies we classify under "international tension," we continue to monitor closely the events in the Middle East and their implications for world oil supply. The Emergency Petroleum Supply Committee and its two subcommittees are still on standby, and could be immediately returned to their active status should events warrant such action. In this regard we scored a minor tour de force; we actually got the history of the last crisis recorded and published before the succeeding crisis arrived. Each of you is in the process of receiving a copy of a two-volume report entitled the Middle East Petroleum Emergency of 1967, published by the Office of Oil and Gas. Volume I is the summary report, and Volume II contains the documentation. Since I had nothing to do with its preparation, I can objectively commend it to you as the major source work of this particular episode in the oil industry's history. I believe you will find it an extremely interesting and valuable addition to your company library.

The steady shrinkage of our unused crude oil productive capacity gives us some cause for concern over our emergency supply in the future. The solution to this problem must start with the knowledge of our present status

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and future outlook. We are therefore deeply interested in the progress of your study on crude oil deliverability, and look forward to your completed report.

The last speaker on the program has the advantage that his is the one speech everyone in the audience has been waiting for. He has the disadvantage that they may not wait around to hear it. I appreciate the fact that you have. Thank you very much.

(Applause.)

THE CHAIRMAN: Thank you, Dr. Laird. You know, your comment that this is your first National Petroleum Council meeting, I guess I should have given you some build-up since it is, and I will have to confess that we have been working together so well and so effectively and so smoothly it didn't dawn on me that this is the first time around. We are grateful for your participation. We are glad you are in the Department and, again, this certainly will not be the last.

Thank you again, Dr. Laird.

Is Mr. Bruce Brown in the audience?

Bruce, Mr. Brown, requested the privilege of the floor at the Agenda Committee meeting yesterday, and we are very happy to accord recognition to Mr. Brown.

Mr. Brown.

(Applause.)

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MR. BRUCE BROWN: I fooled Dr. Laird. He is not the last speaker, but I will be brief, too.

Mr. Secretary, Mr. Chairman, gentlemen: The first meeting of the Petroleum Council advisory to the Interior Department occurred almost 30 years ago in December 1941. It was Ralph Davies' invention and Harold Ickes' creation. I was there watching Chas, a minor official of the Petroleum Administration, and Howard Marshall was there as the Administration's general counsel. Perhaps Jake Blaustein and Jake Hamon were there. I don't remember, but Howard and I attended practically every meeting.

The postwar National Petroleum Council was established in 1946. Six men who were appointed in 1946 are still active with us. Blaustein, Ickes, Jake Hamon, Marshall, Rowan and Ed Warren -- Glen Nielson and I weren't appointed until 1947. Even before that I was active as chairman of a subcommittee, the Aviation Gasoline Committee of the Council, that later turned into the Military Petroleum Advisory Board. I did have to drop out for a couple of years when I was with the Petroleum Administration for Defense during the Korean War. Otherwise, only illness and my 50th wedding anniversary have kept me away from Council meetings.

Now, I should like to lay down my tools while I am still ahead, as the saying goes. So I am going to suggest

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to the Secretary that he drop me from the list. In other words, I don't want to be reappointed in July. And since this is my last meeting, I wanted to talk to you. I am departing from the scene where I have played from time to time both sides of the street. Sometimes as a government official and other times as an oil man. I have served under two Republican Administrations and two Democratic Administrations. My government service has always been when the Democrats were in power, but I am a trained Republican and they trust me and apparently my own body does not, but that's all right. I have some parting words for you government people.

The last time I talked on this subject, I demanded Secretary Udall wait and hear me at the first meeting he was at. I was more polite today. I waited until now.

Don't forget you have two duties, Mr. Secretary. One, the easy pleasant one is to select and appoint good industry representatives. The other harder job is to drop them from the Council if they do not attend meetings faithfully. If you fail to be tough in that matter, you will certainly destroy the morale of the group that does attend.

One more piece of advice, if I am going to give a little, both to the Secretary and to the Council management, and this is entirely nonpolitical. I could have said it just as well before Mr. Nixon came in. They call this thing

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a petroleum council, but the word "council" means interplay of conversation. It doesn't mean one-way communication.

Now, through the years, two things have happened to this council meeting. It doesn't meet very often, not as often as it used to, so the agenda gets too crowded. That's the first thing.

The second thing is that we can come in and listen to government, but the government doesn't listen to us. The only time they listen to us is when they ask us questions and then the Agenda Committee, which I have been proud to belong to, we say, "Well, I guess we can answer that one." The chairman appoints a committee, gets the people together and answers the questions, but they don't give you fellows a chance to talk. That's wrong, if you want to have two-way communication in this thing.

Now, as for the Council itself, I have enjoyed every minute of the association with you, my good friends, long may you wave.

(Applause.)

THE CHAIRMAN: Bruce, it is difficult for a Johnny-come-lately to respond to comments like that. Some of the old friends who knew you when and could tell the truth about you should have been prepared to talk to this point at this time. All I can say is that within the four years that it has been my privilege to serve on the Agenda Committee as

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vice chairman and chairman, I have never known Bruce to miss an Agenda Committee meeting. I have known him to be a devil's advocate; in his talk about "Well, we can maybe do it," that's understressed. He is pretty good at talking back to the government. He seems to understand some of the problems that you have, Mr. Secretary, and it has been a real contribution, in my experience with the Council. He, for example, last year, we called an emergency meeting of the Agenda Committee clear out at Casper, Wyoming, and almost overnight, because there had been submitted a request for action from the secretary dealing with the imports question that you are familiar with and Bruce was among those there, and I have never known him to fail to respond to a call.

Bruce, you have been a dedicated servant of the industry and of the public. I don't know. Maybe Jake, Mr. Hamon, when we call upon you to make the report of the Agenda Committee, you would like to add something, and maybe you can elaborate on that, and certainly you are in a better position to do that than I am. Thank you, Bruce.

(Applause.)

MR. HAMON: Of course, Bruce, you hurt my feelings when you say you can't remember whether I was there the first meeting. I was there in 1941, but I was quieter than I am now.

I must say that having served with Bruce these

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many years, I can only echo what Jack Abernathy said of his dedication, his great ability and great service to his country, whether it was on the government's side or as a member of the Council. He has made many contributions. Over and above that, he is a great guy.

I didn't know about this. Occasionally we have got people who run for election in politics, and I urge all of you to talk to him because we shouldn't lose him. If we do lose you, why, I want you to know that you certainly have made a great contribution to the Council and to the government.

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Now, I have a report to make of the Agenda Committee.

Pursuant to the call of a meeting of the Agenda Committee of the National Petroleum Council made by the Executive Director, Vincent M. Brown, in his telegram to the members on January 8, 1970, and with the meeting and its agenda during the approval of the Hon. Hollis M. Dole, Assistant Secretary of the Department of the Interior and Co-Chairman of the Committee, the Agenda Committee met on January 20, 1970, at 4 p.m. in the Conference Room of the National Petroleum Council, Washington, D. C. The meeting was chaired by Mr. Jake L. Hamon, Committee Chairman.

A letter request to the chairman of the National Petroleum Council by the Honorable Hollis M. Dole asked the Council to undertake a study of the oil and gas outlook

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in the Western Hemisphere projected into the future as near to the end of the century as feasible (letter dated January 20, 1970; copy attached). As the request letter points out, this far-ranging study was motivated by the recent events affecting basic policies of government and the social and physical environment of this nation which have occurred or appear imminent and which it is anticipated will set the stage for a new era in the petroleum industry in the United States. As these events will have a decided impact on the nation's resource capability and the structure of the industry, the Department of the Interior stated that there is a need for an appraisal of their impact on the future availability of petroleum supplies to the United States.

As provided in the Articles of Organization of the Council, the above-described letter as submitted by Assistant Secretary Hollis M. Dole was considered at the January 20th meeting of the Agenda Committee, at which meeting it was unanimously agreed to recommend to the Council the appointment of a committee to make the study as requested by Secretary Dole. In complying with this request for information, data and comments, the committee undertaking the study should not suggest plans or programs.

I recommend the adoption of this report.

(Applause.)

THE CHAIRMAN: Do you put that in the form of a

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motion?

MR. HAMON: Yes.

A VOICE: I second the motion.

THE CHAIRMAN: Any questions?

If not, those in favor will say, "Aye."

(Chorus of ayes.)

THE CHAIRMAN: Opposed, "No."

(No response.)

THE CHAIRMAN: It is so ordered.

MR. HAMON: I have one other duty. Since our last meeting, vacancies have occurred in the Agenda Committee and Appointment Committee. The Council's bylaws provide that any vacancies on the Agenda Committee or the Appointment Committee shall be filled by election by the Council at the meeting next following the occurrence of such vacancy. As this is the case of the meeting following the occurrence of the vacancy, I will move the election of the following member on the Agenda Committee -- J. K. Jamieson, Chairman of the Board, Standard Oil Company of New Jersey, to replace Michael Hider, immediate past president of the Board of the Standard Oil of New Jersey, and I move his appointment.

A VOICE: I second the motion.

THE CHAIRMAN: Any additional nominations?

(No response.)

THE CHAIRMAN: Those in favor of accepting the

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recommendation will please say, "Aye."

(Chorus of ayes.)

THE CHAIRMAN: Opposed?

(No response.)

THE CHAIRMAN: Mr. Jamieson is on the Agenda Committee.

MR. HAMON: Mr. Chairman, I want to nominate to membership on the Appointment Committee Charles E. Spahr, Chairman of the Board of Standard Oil Company of Ohio, to replace Richard C. McCurdy, immediate past president of Shell Oil Company.

A VOICE: I second the motion.

THE CHAIRMAN: All in favor say, "Aye."

(Chorus of ayes.)

THE CHAIRMAN: Opposed?

(No response.)

THE CHAIRMAN: Mr. Spahr is now a member of the Appointment Committee.

Mr. Hamon, does that complete your report?

MR. HAMON: Yes.

THE CHAIRMAN: Thank you very much.

Mr. Brown, I have just consulted with Mr. Dole, and the Secretary has agreed with your recommendation and we will take into consideration some mechanism --

MR. BRUCE BROWN: You gave me a nice dinner in 1952.

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It's got a program and nice picture on it. I don't want anything. I wanted you to listen to me for a minute before I quit.

THE CHAIRMAN: I wanted you to try to figure out a way to get the feedback you were talking about. Maybe we ought to have some guys stand up and talk back and put them on.

MR. BRUCE BROWN: Barney is not here anyway.

THE CHAIRMAN: I will find two or three that don't take too much encouragement.

Anyway, it was a very wise suggestion, and Secretary Dole agreed with us that it will be taken into account.

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We pass on to Otto Miller, Chairman of the Committee on Possible Future Petroleum Provinces of the United States.

Mr. Miller.

MR. MILLER: Mr. Secretary, Mr. Commissioner, Mr. Chairman, gentlemen: the study of future petroleum provides of the U.S. requested by the Department of the Interior in the spring of 1967 is now nearing completion. Most of the geological papers have been received and are in the process of preparation for publication.

One hundred and forth petroleum geologists participated in the project. All have contributed an

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enormous amount of time and effort, and the companies concerned have been liberal in releasing proprietary data. Perhaps just as many other geologists have contributed advice and data to the authors.

An NPC report, covering the major findings in considerable detail will be submitted to the Council for its approval by mid-year.

Later, a special 1,200 page volume containing the various reports on local areas, reports by the heads of the 11 regional task forces, and an overall summary by the chairman of the Coordinating Committee will be studied and published by the American Association of Petroleum Geologists under the sponsorship of the National Petroleum Council.

Scope

The final report will point out all onshore and offshore areas (seaward to the base of the continental slope) believed to have possibilities - however remote - for the occurrence of new commercial oil and gas fields.

The authors have taken into account the geological, production, extent of exploration and other pertinent data which professional petroleum geologists consider essential to consideration of the company's petroleum potential, and, upon the basis of these data and of broad experience, have expressed opinions on the possibilities of their particular

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areas. It is fortunate that the reports on the various areas are sufficiently complete and charged with enough provocative ideas so as to suggest alternate ideas and opinions. This delivery of opinion is a prominent factor and stimulant in the business of finding new petroleum reserves.

Prospective Areas

The areas considered prospective in the U.S. continue to expand as growing exploration and development technology enables the industry to probe greater depths and progress into deeper waters and more hostile environments. Also, understanding of the habitat of petroleum mounts as oil and gas fields continue to be found in unusual or unprecedented geological environments. Hence, the geologist is inclined to restrict the area of no possibilities and expand those areas having potential, while increasing the size of possible oil and gas reserves in the basinal areas which are, and are likely to continue to be, the site of major producing areas.

Full disclosure of the location and potential of the various segments of the expanded areas of potential reserves will have to await completion of the study. However, it is appropriate at this time to give the Council a preliminary view of the study, though incomplete, by pointing out certain areas considered to have the highest potential while mentioning briefly some other potential areas.

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Offshore - The area with the highest potential on the West Coast is the offshore of Southern California. This area, however, is plagued with water depths of up to 6,000 feet. The Santa Barbara channel on its northern side is still highly prospective.

The offshore on the rest of California, Oregon and Washington has been explored to an extent, and although a number of dry holes have been drilled, large areas remain untested and prospective, particularly in deeper waters.

The Louisiana-Texas offshore offers excellent potential in Mio-Pliocene and Pleistocene rocks. The present productive area has not been fully explored, and extension both laterally and out to the edge of the continental shelf (water depth 600 feet) seems assured. Gas as well as oil fields at depths above 25,000 feet are anticipated.

At least Pleistocene sediments extend southward into the deeper waters of the continental slope where diapirs (mainly salt domes) are known. Accumulations of petroleum can be expected, but may be in water as deep as 8,000 feet.

Although only the broad aspects of the geology of the Florida and Atlantic Coast offshore are known, it is certain that the same favorable geology of the Louisiana offshore does not extend into the area. However, in this different geologic world, conditions favorable to the generation and entrapment of hydrocarbons seem assured in

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parts of the adequately thick sedimentary column. Knowledge of local structure is in the hands of companies who have participated in seismic surveys in part of the area. The water is less than 600 feet deep in about half the area. No exploratory wells have been drilled in these waters, so obviously it will take a large number of exploratory wells to determine more definitely the quality of this large prospective area.

The Cook Inlet of Alaska offers excellent potential, but the Alaskan offshore beyond is, like the Atlantic Coast in the predrilling stage of exploration. Although the water is less than 600 feet deep in tremendous areas, the extremely hostile Arctic environment is a deterrent to exploration.

Onshore - The authors have a high regard for some portion of the onshore which is often not shared by other observers, at least not to the extent of their agreement with the favorable evaluation of the offshore.

Small oil and gas fields will continue to be discovered in the more thoroughly explored areas and levels. Also, it is probable that major accumulations will be found in some of these areas, particularly in the Los Angeles basin of California, the Permian basin of West Texas and eastern New Mexico and the Gulf Coast of Texas, Louisiana and Mississippi. In addition, the fields already discovered will provide in the aggregate important volumes of new oil and gas

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through extensions, deeper and shallower drilling, and improved recovery techniques.

However, in the search for more substantial reserves, one must look to the less thoroughly explored areas and/or depths. Among these, several stand out as particularly prospective for new major as well as small oil or gas fields at drillable depths. These onshore areas are noted below without attempting to list them in the order of their apparent potential. The type of fields expected -- oil or gas -- is noted.

Southeastern Louisiana, southern Mississippi, southern Alabama and northwestern Florida - Tuscaloosa (Upper Cretaceous) sands - oil.

Southern Mississippi, southern Louisiana and southern Texas - Trinity (Lower Cretaceous) sands and carbonates - oil and gas.

Delaware basin of West Texas and southeastern New Mexico - gas.

Val Verde basin to the southeast in west Texas - gas.

Palo Duro basin in northern west Texas - oil.

Anadarko basin of western Oklahoma and extending into Texas - gas.

Arkoma basin of eastern Oklahoma and extending into Arkansas - gas.

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Hugoton Embayment, western Kansas - oil and gas.

Powder River basin of eastern Wyoming and eastern Montana, the Williston basin of eastern Montana and North Dakota, and the Big Horn basin of western Wyoming - oil.

Green River basin of southwestern Wyoming, the Uinta-Piceance basin of northern Utah and northwestern Colorado, and the Paradox region of southeastern Utah and extending into Colorado and New Mexico - oil and gas.

Sacramento Valley of California - gas.

San Joaquin Valley of California - gas in the northern portion, mainly oil in the southern.

North Slope of Alaska - oil and gas.

In addition, the seldom drilled thick sections of older Paleozoic rocks, mainly Lower Ordovician carbonates and Cambrian carbonates and sandstones, beneath the producing regions east of the Mississippi River and north of the Gulf Coast province, are now considered to be highly prospective. Important oil production is obtained from these rocks in Kansas, Oklahoma and Texas, and the infrequently drilled lower portion of the section offers additional possibilities in large areas within these states as well as in northern Arkansas.

Though much less likely, worthwhile reserves may occur in several relatively small, largely unexplored basins not mentioned above, in certain geologically complex

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areas within producing provinces, and in thrust faulted belts east of the Appalachian Plateau, west of the Rocky Mountain basins, and in California.

Reserves

The Department of Interior did not request estimates of the undiscovered reserves. Some authors describing the more thoroughly explored areas have ventured estimates. Others considering largely or wholly undrilled areas or depth rightly refrained from attempting such calculations. They rely upon their analysis of available exploratory data to provide ample guidance to further exploration.

The final report will discuss the subject in some detail.

Technology

The authors have made the valid assumption that the upward march of exploration and development technology will continue.

The relatively simple exploratory process of locating drillable prospects by reflection seismograph surveys (almost regardless of depth of water) will continue to be effective offshore for some time to come. Obviously, what is needed offshore is the development of the capability to drill, complete and produce wells in waters as deep as 8,000 feet. Definite progress in this direction is being made.

er 21. An oil well has been completed below 1400 feet of water, and drilling and coring in much deeper waters has been accomplished.

However, this popular exploratory procedure -- simple structure hunting -- is destined to be of secondary effectiveness onshore because a goodly percentage of the visualized undiscovered oil and gas is in stratigraphic traps, combination stratigraphic and structural traps, reefs and complex structural situations. The future of discovery is particularly dependent upon locating such traps in the following onshore areas.

Most of the area east of the Mississippi River in horizons above the Lower Ordovician.

Arkoma basin of eastern Oklahoma and northern Arkansas.

Hugoton Embayment of western Kansas.

Platte of Anadarko basin of western Oklahoma and adjoining portions of Texas.

Pennsylvanian and Permian rocks of West Texas and New Mexico.

All the Rocky Mountain basins.

San Joaquin and Sacramento Valleys of California.

In addition, important stratigraphically controlled fields continue to be found in the highly explored Gulf Coast onshore, and it cannot be presumed that the last one has been

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found.

Moreover, in the Gulf Coast, onshore and offshore, finding the hydrocarbons on a diapir is too frequently far less simple than finding the diapir itself because of structural and stratigraphic complexities.

Pin-pointing such traps requires careful and imaginative consideration of all geological and geophysical data at hand, and -- most important -- a liberal exploratory drilling program to provide further geological data. Geologists do not doubt that this procedure will be rewarding.

Exploratory Drilling

The message left by the study is that truly important new oil and gas fields exist onshore as well as offshore, but that it will take an increased amount of exploratory drilling to discover them. The additional drilling required to find stratigraphically controlled fields is but a part of a badly needed expanded drilling program. Many other exploratory wells are required in the unexplored areas, including deeper waters, to provide much needed geologic and production data to point the way to further exploration.

Our country's petroleum resources are assuredly still very large indeed. Quite obviously, the decline in exploratory drilling in the past decade has to be reversed if these resources are to be located and developed. Also

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obviously, any events in the economic or political fields that militate against expanded exploratory drilling can only result in immobilizing a high percentage of the nation's petroleum resources.

(Applause.)

THE CHAIRMAN: May I ask if it is the intention of the committee that what you have done be available for the dissemination and publicly released at this time? Is that what it is?

MR. MILLER: I think that is the prerogative of the chairman of the National Petroleum Council. As far as we are concerned, we have submitted our report and we see no reason in the world why it should not be released.

THE CHAIRMAN: Mr. Hamon, I will ask you and Mr. Brown, is any action required here in order for the Council to adopt that in order to put that in that posture so it can be made available?

MR. HAMON: I don't think so but I will defer to Vince.

MR. VINCENT BROWN: This is an interim report. I do not think you have to vote on an interim report. You can vote on the final report in July.

THE CHAIRMAN: Very well. I just wanted to be certain that we weren't violating any protocol, and I don't have present with me Roberts Rules of Order.

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Mr. Miller, we are very grateful to you and your committee's work. The job of coordinating 140 professional people of any kind is almost an insoluble thing. I don't know how you have done it, and we are very grateful to you and particularly for taking the time and effort for producing this very useful interim report which I imagine will be read with great interest on the government level.

MR. MILLER: I don't really know how it is done, either, and I want to compliment the help that Mr. Crandall and Mr. Morgan Davis gave us and Mr. Ira Cram.

MR. HAMON: May I ask you a question? Has the committee -- do they believe like some people in government seem to believe that a reduction ranging 30 cents to 80 cents a barrel will result in stimulation of the domestic search for oil and gas?

(Laughter.)

MR. MILLER: I haven't really put that question to them, Jake, but it is very obvious to me what answers they will give. I know that has been talked about in many circles, but it would indeed result in exploration. Just coming to a complete standstill in the United States, which would be a horrible thing, considering in our country we have more expertise, in my view -- many people's view in the fields of geology and exploration, all areas of it, they are in industry and in universities and government, and

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to bring it to a halt in our nation would lose that expertise, and you would never put it back together again. To me that would be a horrible thing.

THE CHAIRMAN: Thank you for the question, Mr. Hamon, and thank you for your response, Mr. Miller. I can only add that 10 years ago we virtually dismantled the petroleum engineering school and they never recovered. These things aren't easily done.

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The next item on the agenda is the report by Mr. Keeler, Chairman of the Committee on Environmental Conservation, and he will report on the oil and gas industries.

MR. KEELER: Mr. Chairman, distinguished governmental representatives, ladies and gentlemen: When I attended the last meeting of the National Petroleum Council here in July, I could not help but notice the emphasis placed by both the U.S. Department of the Interior and the National Petroleum Council on the importance of conserving our nation's environmental values and the emphasis that the Department placed on calling upon the National Petroleum Council to supply information and ideas to help resolve the many environmental problems we face. The Interior Department demonstrated its faith in the Council by officially requesting that we undertake a study of air and water pollution by petroleum facilities and fuels and the impact of pollution control efforts on industry operations. The request went

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on to say that this study should reflect efforts to assure that all pertinent facts are placed before the government officials charged with making of policy rules involving pollution control regulations which may affect oil and gas operations.

The Council accepted this request, recognizing the importance, complexity, and timeliness of the subject to be studied. I have the honor of chairing the Council's Committee on Environmental Conservation - the Oil and Gas Industries, which is charged with the study, and feel fortunate to have the active participation of some 28 Council members on the Committee. The task is so broad that I asked and received the acceptance of John Swearingen to be the Committee's Vice Chairman (Air) and J. Howard Marshall to be the Vice Chairman (Water and Land). The Department of the Interior is most ably represented by Gene Morrell, the Government Co-Chairman.

The discussion at our first committee meeting brought to my mind Secretary Hickel's remarks at last July's Council meeting because the concerns he expressed were almost duplicated by the members of our committee. The Secretary said, "I think I can summarize my own position this way: I see my role as one of working with industry to assure an adequate energy supply -- without destroying the environment. It seems to me that the

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relations between oil, the public and the Federal government are in a state of transition, a transition which is being brought about by a variety of forces. I have chosen to discuss problems because I felt that my first remarks to you should put into perspective the situation as I see it -- in order that we might understand each other's position and proceed to solve the problems."

Our committee, too, felt the need to put pollution of our environment in perspective. We felt that in doing this, national objectives to meet growing requirements for energy and national objectives for achieving environmental quality should be placed in proper relationship. Also, the manner and extent to which the Petroleum and Gas Industries fit into the attainment of these national objectives should be made clear. It is becoming increasingly obvious that there are many facets to this perspective and that the acquisition of factual information and its presentation in a credible fashion will be one of the most difficult tasks faced by the Council. However, we recognize that this task must be accomplished. Decisions by the government on matters of environmental improvement are too important both to the oil and gas industries and to the general public to be made hastily or without a full understanding of the need for and effects of such decisions.

At the outset, your committee decided on certain

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points of emphasis and certain limitations for the study in order to clarify the scope and depth of our effort and to keep it within reasonable bounds. We propose, for example, to give relatively great emphasis to examination of the economic aspects of environmental conservation -- to an evaluation, insofar as is practicable, of costs and benefits. This emphasis is consistent with the thought expressed to the Council at our last meeting by Assistant Secretary Dole relative to measures to improve the environment when he said that, "For the first time the full cost of these measures will show up in the prices of the goods and services offered to the public."

A closely related area for emphasis is an examination of the adequacy of knowledge upon which to base decisions. Here we are consistent with the views expressed by Undersecretary Train before the recent Joint Conference of the API/SWPCA on Oil Spills in which he spoke of the need for many different kinds of research so that we can acquire the knowledge necessary to evaluate the risks encountered in new areas and can enter into rational discussions solidly based on knowledge.

Because an understanding of our technical and operational capabilities and limitations is important, we propose to go into some detail on these aspects in our coverage of sources of air, water and land pollution, and ways

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to control it. Here we will cover not only industry operations -- exploration, production, refining, storage and transportation, marketing -- but also the particularly complex problems of utilization of petroleum products. We hope that this type of information will help to inform the responsible officials of government, and indeed the public at large, of the technical and operational measures which the industry has taken and foresees as feasible for the protection of environmental quality.

Finally, we expect to deal comprehensively with the legal factors of environmental policy, encompassing not only Federal and State but international law, practices and proposals. In this regard we are being directly responsive to the request from the Department of the Interior that we should include a careful analysis of environmental control regulations. In the last analysis, it is to help government officials make sound policy decisions concerning law, regulation and international arrangements that we are doing this study.

Earlier I spoke not only of points of emphasis but of limitations to our study in order to keep it within reasonable bounds. For this latter purpose we propose to exclude examination of pollution which may be caused by the processing of chemical feedstocks into chemical end products. We believe this area of study is of concern to the chemical

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industry and beyond the competence of our committee as it is presently constituted. Also, while we propose to recognize all sources of pollution dangers from industry operations and from consumption of oil and gas products, we will limit extensive study only to those sources of relatively great concern. Thereby, we expect to keep our study manageable and more useful.

I think even this brief review shows the complexity of our task and explains the need we saw to create a Coordinating Subcommittee, staffed by individuals carefully selected on the basis of their particular qualifications to deal with environmental improvement matters. I am happy to report that we have obtained the services of some 23 members of the industry who are so qualified. The Coordinating Subcommittee is chaired by Leo McReynolds, Chairman of the Water, Air and Land Conservation Committee of Phillips Petroleum Company, and includes key representatives from the industry who can speak with authority on the many facets of our environmental conservation problems -- policy, public affairs, law, economics, science, technology -- all the aspects of industry operations and of the utilization of petroleum products which may lead to pollution of air, water or land. This Coordinating Subcommittee has already met several times to discuss the many ramifications of its task, to make internal assignments and to establish a work schedule.

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These preliminary actions are now complete and the subcommittee has started to prepare its first draft of the report. Given the nature of the subject and the high standards which the Council will expect, the task will not be an easy one.

Our target date is July 1, 1970, thus, at our annual Council meeting next summer, I will be able to present a report and analysis together with appropriate recommendations which will be of material assistance in the development of sound government policies on environmental quality. Coincidentally, this target date approximates the period reported by the press to be a time limit tentatively established by the President's Environmental Quality Council on the development of new automobile exhaust emission standards. With this pace of Federal government action in mind, the Council chairman made an interim report of the progress of your committee to Secretary Hickel on December 2 and urged that the Executive Branch take full advantage of the National Petroleum Council's efforts prior to making final decisions or policies on these problems. I am happy to report that Assistant Secretary Dole has indicated that he was impressed by the comprehensive scope of the coverage we have assigned to our study and by the stature and background of the gentlemen selected to undertake this important assignment.

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In summary, we have embarked on a highly significant study, some aspects of which will lend themselves more readily to analysis and conclusions than others. Some aspects may not lend themselves to complete analysis within our self-imposed reporting time frame. If so, we shall so report. In any case, by next July we expect to be able to supply the type of information which I have described. Thus the Council will provide the government officials with the important assistance they requested to accomplish their difficult task.

Now, I don't think that we had a report on your new development yet, but I hope that it may be a factor in reducing the overall problem that we are facing in industry.

That is our report. Thank you very much.

(Applause.)

XXXX MR. VINCENT BROWN: Thank you very much. I now call upon Mr. Mike Wright, chairman of the Committee on Crude Oil Deliverability, for a status report.

MR. WRIGHT: Mr. Chairman, Mr. Secretary, gentlemen: The Committee on Crude Oil Deliverability was established in September 1969 in response to a request from Assistant Secretary Dole that the Council provide assistance in conjunction with the Department of Interior's emergency preparedness work. More specifically, the purpose of this study is to better equip the Department to assess the real capability of the domestic petroleum industry to furnish raw

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material supplies to refineries in times of national emergency.

A Technical Subcommittee has been appointed and is currently working on the several facets of the Secretary's request. But before commenting further on the actual status of this work, a few additional background comments are in order.

The NPC has on various occasions evaluated U.S. productive capacity, transportation facilities for crude and refined products, and crude oil storage facilities. Each of these types of facilities is an element of what might be described as the supply system of the domestic industry. As part of its work with respect to the emergency preparedness of the petroleum industry, the Office of Oil and Gas of the Department of the Interior has been endeavoring to identify the separable parts of such a supply system. Having identified the parts, the next step would be to quantify each of the segments and thereby identify the constraints on the entire system. The end objective is to establish how much crude and natural gas liquid could, in terms of national emergency, not only be produced in the United States but also delivered to refineries. As you are well aware, there is some question as to the amount of spare productive capacity that could actually be made available where it would be needed in a national emergency.

To shed some additional light on this problem, the

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Secretary requested the Committee on Crude Oil Deliverability:

1. To study and identify the major segments of the domestic refinery supply system.

2. To compile capacity data on field gathering systems and ports, both of which are assumed to be elements of the supply system.

3. To establish, if possible, a basis for a routine method of determining this total deliverability of raw materials to refineries in times of emergency.

Our main committee has met and endorsed the plans of our Technical Subcommittee which is making significant progress in its work. The subcommittee has concluded that the concept of a supply system as put forth by the Office of Oil and Gas is basically sound; however, it has reserved final judgment pending completion of its efforts to quantify those two components of this system which it was asked to assess, namely, field gathering systems and ports.

Following the lead of the Office of Oil and Gas, the subcommittee has accepted the API's assessment of productive capacity as the first element of the supply system. API productive capacity is, by definition, that production which within 90 days of the declaration of an emergency could be made available at the point of custody transfer. Taking this approach also has the effect of incorporating in our work the definition of a national emergency implicit in the

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API's productive capacity estimates.

"Field gathering systems" is a term familiar to each of us. Our subcommittee has found, however, that this term is at best imprecise without significant additional qualification. It has therefore defined field gathering systems for purpose of this study as those facilities necessary to move crude oil from the point of custody transfer to the main line transportation facilities as such were defined and described in the 1967 NPC report entitled, "U.S. Petroleum and Gas Transportation Facilities." In so doing, the subcommittee hopes to secure continuity of its results with these API and NPC studies.

To specifically quantify all of the field gathering facilities in the U.S. would, we believe, be unnecessary. The subcommittee has found that the vast majority of the spare productive capacity in the United States is located in a limited number of fields, primarily in Texas, Louisiana, New Mexico, and in the Elk Hills Naval Petroleum Reserve in California. In all other instances individual fields are producing at capacity and there is nothing to be gained by identifying whether additional gathering capacity exists for those fields. The subcommittee has therefore set about to quantify field gathering facilities only for each of those fields containing significant amounts of spare productive capacity. In order to first identify such fields, it was

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necessary to obtain the cooperation of the API in making available to the subcommittee its working records on productive capacity in individual fields.

I would be remiss if I did not express at this time the appreciation of my committee and the subcommittee for the prompt and wholehearted cooperation given to us by the API Committee on Statistics and on Reserves and Productive Capacity in making available all of the information which we needed from the files of its many working committee members throughout the country.

The Technical Subcommittee has completed its identification of those pipeline gatherers and barge operators who are moving crude from fields with spare productive capacity and a questionnaire designed to identify the maximum capacity of gathering facilities has been prepared and distributed to some 46 gatherers of crude oil. This survey will involve the facilities in approximately 180 fields and will, it is believed, provide sufficient data on gathering system capacity to permit completion of this portion of the study.

Insofar as ports are concerned, we are interested in the capacity of U.S. ports to load domestic crude during times of emergency. Considering the normal distribution of refineries and raw materials as well as the usual patterns of supply in the United States, it is necessary only to

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identify the capacities of ports in the U.S. Gulf to on-load crude oil for shipment to other U.S. refining centers or overseas. As in the case of field gathering systems, port capacity information is being developed by questionnaires which in this case have been sent to 23 companies in the Gulf who have terminals and port facilities which might be utilized under the emergency conditions I have described.

The Technical Subcommittee is evaluating both the field gathering systems and port capacity as they existed at the end of 1969. This should provide results which can be related to the API's 1970 productive capacity report to be published later in the year. Similarly, data on the two components of the supply system which we are studying can be integrated with information on main line gathering facilities which is already available from the earlier NPC study and with the information on storage facilities which is currently being developed by Mr. Spahr's committee.

Our Subcommittee on Crude Oil Deliverability is hopeful of having its work completed in sufficient time for a final report to be presented to the Council at its next meeting. Our ability to do this is dependent to a significant degree on a timely response by the many companies to whom we have submitted our questionnaires. These questionnaires were directed to many of you here in this room today and your cooperation in expediting this work will be greatly

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appreciated.

Thank you, Mr. Chairman.

(Applause.)

THE CHAIRMAN: Thank you, Mr. Wright.

Lest I forget, I would like to request that each of the committee chairmen who have reported and who are here to remain briefly after the meeting, and if you would come up to the table after the meeting is over, I would appreciate it.

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The final committee report that we have is the Committee on Petroleum Storage Capacity with Mr. Charles Spahr.

MR. SPAHR: Mr. Chairman, Mr. Secretary, members of the Council: Since this is the last of the four reports and since the audience is rapidly disappearing, I intend this to be the briefest of the lot. The objective of this study of availability of petroleum inventory and storage capacity is to update the National Petroleum Council's 1963 report on the same subject. As you may recall, some of the reports were prepared in 1948, 1950, 1952 and 1957, and as you well know, current information on the availability of petroleum inventories and storage capacity is important to the government, particularly in relation to emergency preparedness.

The date on which the information in our report

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will be based is near to the issue date of the report as possible, and we have chosen for this purpose September 30, 1969. The 1963 report included, for the first time, operations within the states of Hawaii and Alaska, and now for the first time our report will include data covering Puerto Rico and the Virgin Islands.

This information is not reported to the Bureau of Mines. The Bureau develops supply and demand data for the 50 states only. Imports and exports of petroleum products between the 50 states and Puerto Rico and the Virgin Islands are treated as foreign.

In a national emergency, however, the Federal government would assume directional control of crude and products supply in these areas and, therefore, it is important that the government have the information that we are developing.

Another first in this report, reflecting the increasing importance of the jet fuel will be a separate division on available inventories of different types of jet fuels. 209 questionnaires were sent out some months ago, along with the necessary definition and other explanations, to all holders of crude oil and principal petroleum inventory refineries, pipelines. No data in respect to inventories or storage capacity in the hands of the control of the military was requested or will be included in this report. Replies are being received by the National Petroleum Council

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office. As of a week ago, I think we had received 129 of the 209 questionnaires that were sent.

So, as Mike Wright had requested in connection with his activities, I would urge all of you to check on the status of your own reporting and assist us as much as you can by getting in data if it is not already submitted.

Your committee appreciates the response that we have been shown by the industry to date, and I would like to take this opportunity to thank all of you who are participating in the survey. Our consolidated report will be sent in the near future to the Technical Subcommittee for Analysis and the writing of text content in preparation of a draft report, and I expect that we will have a final report submitted to you for approval on or before the next Council meeting.

Thank you.

(Applause.)

THE CHAIRMAN: Thank you, Mr. Spahr.

I would like for the minutes remaining to reflect that all four of these reports which, of course, will receive considerable press attention, I am sure, were received by the Council and that no official action was taken on them because they are in the nature of progress reports, and when we get the final reports, we will act upon them.

Mr. Howard Marshall, please come forward.

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MR. MARSHALL: Mr. Chairman, Mr. Secretary, it both has been my sad duty and, in a larger sense, maybe my privilege, to draft the proposed resolution in memoriam for one of the people who was in that first Council meeting, Bruce, in 1941. I suppose the job was assigned to me because I brought the young man to the government, and over many years he first worked for me; most of the time he worked with me, and on so many different occasions that I can't remember, he represented me.

The gentleman in question died last September, and I offer the following resolution:

BE IT RESOLVED by the National Petroleum Council meeting in Washington, D. C., this 21st Day of January, 1970, that this Council records, with profound sorrow, the untimely death of Elmer Batzell on September 25, 1969. Although Elmer Batzell has served as a duly appointed member of the Council only since 1966, he was indirectly involved in the activities of this Council and its predecessor, the Petroleum Industry War Council, since 1941. He was one of the first members of the legal staff of the Petroleum Administration for War. I don't have the years, but until the end of World War II, he served with distinction in both a legal and administrative capacity as an attorney, special assistant to the Deputy Administrator and Assistant Chief Counsel. Following the war he became a member of the

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law firm of Meyers and Batzell in Washington, D. C. where he specialized in oil and gas matters and attended most of the meetings of the National Petroleum Council on behalf of various companies and trade associations engaged in the petroleum industry.

During the Korean crisis, he returned to government service at great personal sacrifice. When he served the Petroleum Administration of Defense first as finance counselor, then as Assistant Deputy Administrator, and then finally as general counsel.

Once more his work with and on behalf of this Council was constant, continuous and complete. After the Korean crisis, Elmer Batzell returned to his law practice. Over the years which followed, he not only continued his representation of domestic oil and gas operators and associations, but also enlarged his sphere of activities to include international consultation on oil and gas laws and regulations for the government of Turkey, Guatemala, Iran, Panama and Formosa.

During these same years, he has served as a member of the Military Petroleum Advisory Board, the National Defense Executive Reserve, and as a director and counsel for various private concerns engaged in a wide variety of domestic and international activities of the petroleum industry.

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Elmer Batzell's whole career was characterized by his great ability to acquire expertise and achieve competence in many fields. Starting as a very able lawyer, over the years he became a recognized expert in government regulations, administration, international consultation, financial counseling and in operation of the oil industry in most of its various phases. He conducted a highly successful law practice where the key to his success was his own intimate knowledge of the technical, economic and financial details of the oil and gas industry, extending from the well to the market place. Such versatile individuals appear all too infrequently. They cannot be spared, and this Council has lost such a member with Elmer's death, and

BE IT FURTHER RESOLVED, that a copy of this resolution be incorporated into the minutes of this meeting of the National Petroleum Council and a copy appropriately inscribed and delivered to Elmer's wife and family.

Mr. Chairman, I move the resolution.

THE CHAIRMAN: All those in favor of the resolution please rise.

It is adopted, Mr. Marshall.

We appreciate that very much.

Now, to agenda item 14, consideration of such other matters as may be proposed or approved by the co-chairmen of the National Petroleum Council.

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Mr. Secretary, what do you have for us?

MR. DOLE: Mr. Chairman, I have no other business to bring before the Council today.

I would like, though, before you conclude the meeting, to express my thanks to all of you for your cooperation, for the help, the friendly hand you have given us these past few months, and I look forward to more association with this Council, and I know that the Council has a very large job before it. Thank you very much.

(Applause.)

THE CHAIRMAN: Mr. Brown, do you have anything that we have omitted or left out?

MR. VINCENT BROWN: No.

THE CHAIRMAN: Mr. Brackett?

MR. BRACKETT: No.

THE CHAIRMAN: Gentlemen, unless I hear a resounding "no", I consider this meeting adjourned.

(Whereupon, at 12:35 o'clock p.m., the meeting of the National Petroleum Council was adjourned.)